



**GOVERNMENT OF UGANDA  
MINISTRY OF WATER AND ENVIRONMENT**

**PREPARATION OF THE**

**JOINT WATER AND ENVIRONMENT SECTOR SUPPORT  
PROGRAMME (JWESSP, 2013-2018)**

**INCEPTION REPORT**

**FINAL VERSION**

**NOVEMBER 2011**

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## ABBREVIATIONS

ACCRA	Africa Climate Change Resilience Alliance
ADA	Austrian Development Agency
AFD	Agence Française de Développement
AfDB	African Development Bank
APWO	Association of Private Water Operators
BFP	Budget Framework Paper
DANIDA	Danish International Development Agency (Ministry of Foreign Affairs)
DEA	Directorate of Environmental Affairs
DEO	District Environment Office(r)
DESS	Department of Environment Support Services
DFID	Department for International Development (United Kingdom)
DFO	District Forest Office(r)
DPs	Development Partners
DWD	Directorate of Water Development
DWO	District Water Office(r)
DWRM	Directorate of Water Resources Management
DWSCG	District Water and Sanitation Conditional Grant
CC	Climate Change
CCU	Climate Change Unit
CD	Capacity Development
CFR	Central Forest Reserves
CSO	Civil Society Organisation
ENR	Environment and Natural Resources
FIEFOC	Farm Income Enhancement and Forest Conservation (Project)
FR	Functional Review
FRA	Fiduciary Risk Assessment
FSSD	Forest Sector Support Department
FY	Financial Year
GBS	General Budget Support
GEF	Global Environment Facility
GGAP	Good Governance Action Plan
GGWG	Good Governance Working Group
GIZ	Gesellschaft für Internationale Zusammenarbeit (Germany)
GoU	Government of Uganda
ICEIDA	Icelandic International Development Agency
IPR	Identification and Preparation Report
IR	Inception Report
ISH	Improved Sanitation and Hygiene
IUCN	International Union for the Conservation of Nature
JAF	Joint Assessment Framework
JBSF	Joint Budget Support Framework
JFA	Joint Financing Agreement
JICA	Japan International Cooperation Agency
JPF	Joint Partnership Fund
JSR	Joint Sector Review
JWESSP	Joint Water and Environment Sector Support Programme
JWSSPS	Joint Water and Sanitation Sector Programme Support
KfW	Kreditanstalt für Wiederaufbau (Development Bank, Germany)

LG	Local Government
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDGs	Millennium Development Goals
MIS	Management Information System
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoLG	Ministry of Local Government
MPS	Ministerial Policy Statement
MTEF	Medium-term Expenditure Framework
MtR	Mid-term Review
MWE	Ministry of Water and Environment
NAPA	National Adaptation Programme of Action
NDP	National Development Plan
NEMA	National Environment Management Authority
NFA	National Forestry Authority
NFP	National Forest Plan
NGO	Non-Governmental Organisation
NSF	National Sector Framework
NWIS	National Wetland Information System
NWSC	National Water and Sewerage Corporation
OAG	Office of the Auditor General
OBA	Output-Based Approach
OPM	Office of the Prime Minister
O&M	Operation & Maintenance
PA	Protected Area
PAP	Process Action Plan
PC	Process Consultant
PEAP	Poverty Eradication Action Plan
PFM	Public Financial Management
PMF	Performance Measurement Framework
PPC	Programme Preparation Committee
PPD	Policy and Planning Department
PPDA	Public Procurement and Disposal of Public Assets Authority
PPP	Public-Private Partnership
PS	Permanent Secretary
RTSU	Regional Technical Support Unit (Wetlands)
RWSS	Rural Water Supply and Sanitation
SBS	Sector Budget Support
SIP	Sector Investment Plan
SPR	Sector Performance Report
SPS	Sector Programme Support
SSIM	Strategic Sector Investment Model
SWAp	Sector-Wide Approach
TA	Technical Assistance
ToR	Terms of Reference
TSU	Technical Support Unit
UGX	Uganda Shillings
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UO	Umbrella Organisation

UWASNET	Uganda Water and Sanitation NGO Network
UWSS	Urban Water Supply and Sanitation
VfM	Value for Money
WATSAN	Water Supply and Sanitation
WATSUP	Water Atlas Up-date Project
WESWG	Water and Environment Sector Working Group
WfP	Water for Production
WIN	Water Integrity Network
WMO	World Meteorological Organization
WMZ	Water Management Zone
WRM	Water Resources Management
WSDF	Water and Sanitation Development Facility
WSLD	Water Sector Liaison Division
WSP	Water and Sanitation Program (World Bank)
WSS	Water Supply and Sanitation; or Water and Sanitation Sub-Sector

## 1. INTRODUCTION

The present Inception Report is the first deliverable in the process of preparing a new Joint Water and Environment Sector Support Programme (JWESSP) for 2013 – 2018. The intention is to provide a concise overview of sector issues and of the implementation experience of the predecessor programme, JWSSPS<sup>1</sup>, as a basis for further decision making and for the subsequent development of a Concept Paper (submission of draft planned for the end of November 2011).

The report is based on a comprehensive review of relevant sector documents (see list in Annex 2), including the Mid-term Review of JWSSPS, as well as supporting consultations of both the government officials involved (through key informant interviews) and the interested development partners (through an e-mail inquiry). The consultants also participated in the first meeting of the Programme Preparatory Committee (PPC, 15<sup>th</sup> June 2011) and in the Joint Retreat of the Development Partner Groups of the Environment & Natural Resources (ENR) and Water and Sanitation (WSS) sub-sectors (13<sup>th</sup> and 14<sup>th</sup> June).

### 1.1 **SECTOR BACKGROUND**

The Government of Uganda (GoU), represented by the Ministry of Water and Environment (MWE) and its Development Partners (DPs) are currently implementing a 5-year **Joint Water and Sanitation Sector Programme Support** (JWSSPS, 2008-2013) that will end by June 2013. The stated objective of JWSSPS is: "To support the water sector to improve its fiscal and physical effectiveness so as to more efficiently achieve its targets and contribute to poverty eradication and better health for Ugandans."

Preparation of a successor programme, named **Joint Water and Environment Sector Support Programme** (JWESSP, 2013-2018) has started in the first half of 2011. As indicated by its name, the new programme will include the Environment & Natural Resources (ENR) sub-sector, reflecting the merger of the WSS and ENR sectors since 2008, which also led to the formation of a joint Water and Environment Sector Working Group (WESWG). The integration of the ENR sub-sector into the sector performance measurement framework has started in 2009 (Joint Sector Review and Sector Performance Report covering both sub-sectors). The JWESSP will thus encompass activities of all **three Directorates of the MWE**: Directorate of Water Development (DWD), Directorate of Water Resources Management (DWRM) and Directorate of Environmental Affairs (DEA).

Today, most significant donor support to the WSS sub-sector is being channelled through the JWSSPS. JWSSPS is an integral component of the water and sanitation (in the future water and environment) **SWAp**, which also includes joint coordination and decision making mechanisms (WESWG and sub-groups, DPs Group), a sector performance measurement framework and joint financing mechanisms. In this context the JWSSPS has greatly improved the harmonisation of donor support as well as its alignment to Uganda's government systems in terms of financial management, procurement, implementation, reporting and monitoring modalities.

**Non-governmental WSS sector stakeholders**, in particular NGOs and the private sector, are represented at the Joint Sector Reviews and are partly organised in specific sector organisations (e.g. UWASNET: Uganda Water and Sanitation NGO Network); however, they are not directly involved in the JWSSPS delivery mechanisms.

**JWSSPS** goals, scope and support modalities are set out in a JWSSPS programme document that was jointly prepared and appraised by the interested DPs in 2007. A Joint Financing Arrangement (JFA) describes the key procedures, coordination mechanisms and

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<sup>1</sup> Joint Water and Sanitation Sector Programme Support, 2008-2013

mutual responsibilities and provides indicative planning figures regarding the DP's contributions whereas it refers to the national budget/MTEF for GoU contributions.

The **DPs participating** in the present JWSSPS are African Development Bank (AfDB), Austria (ADA), Denmark (Danida), European Union (EU) and Germany (GIZ / KfW)<sup>2</sup>. The same DPs are also interested in the planned JWESSP, which would furthermore benefit from the support of DPs focusing on the ENR sub-sector (Norway, Iceland).

DP funds for JWSSPS are currently being channelled through two main **funding mechanisms**, both of which are on-budget: The **Joint Partnership Fund (JPF)**, a basket funding arrangement that is largely aligned to government systems, and **Sector Budget Support**, most of which is allocated to the district local governments through District Water and Sanitation Conditional Grants (DWSCGs, see below). GoU sector funding, including Sector Budget Support, is being channelled based on standard budgeting and financial management procedures, not through the JPF.

Furthermore, the JWSSPS has two complementary off-budget support mechanisms to provide long-term **Technical Assistance (TA)** and **Programme Management Support**. The Programme Management modality is a DP managed budget line to fund specific sector studies, monitoring and auditing costs as well as expenditures related to workshops, the preparation of subsequent programmes, and DP coordination.

The present JWSSPS comprises the following seven **component areas**: rural water supply and sanitation; small towns WSS; large towns WSS (urban reform and regulation); sanitation; water resources management; water for production (WfP); and sector programme support (SPS: capacity building and sector reforms).

DWSCGs, the main funding mechanism for **rural water supply**, are mainly being used for point water sources and for the operational expenditures of District Water Offices. Based on the Fiscal Decentralisation Act of 2003 DWSCGs are disbursed to local governments directly from the consolidated fund / Ministry of Finance (MoFPED), not through the MWE. This is in line with the fact that since 2000 the main responsibility for water supply and sanitation service delivery (among many others) is vested at the local government level. In this setup, the MWE has a technical guidance, supervisory and monitoring role, approves local government workplans and receives copies of the reports on investments made using the DWSCGs.

The JPF is the main source of funding for piped water supply in **small towns<sup>3</sup> and rural growth centres**. Together with GoU co-funding these JPF funds are channelled through regional Water and Sanitation Development Facilities (WSDFs), deconcentrated entities that appraise, finance and implement water and sanitation projects proposed by the local governments. Since 2010 there are four WSDFs covering the entire national territory. These WSDFs are operational, based on an approved Operations Manual, although their final institutional status is yet to be defined.

The JPF is also the main channel of funding for the **water resources management** component, although the JWSSPS had envisaged transition to sector budget support.

The **large towns** and **water for production (WfP)** components of JWSSPS are limited to capacity building and institutional strengthening measures while implementation is being funded through the National Water and Sewerage Corporation (NWSC) and GoU budget allocations, respectively.

**Sanitation** has received limited attention under the JWSSPS as only a small percentage of the DWSCGs and of JPF funds is being used on sanitation while a specific Sanitation Conditional Grant has been established but has not been operational until FY 2011/12; in the

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<sup>2</sup> In addition Sweden (SIDA) and the United Kingdom (DFID) supported JWSSPS during the first years.

<sup>3</sup> »Small towns«: gazetted towns not supplied by the parastatal National Water and Sewerage Corporation



meantime funds were allocated to the budget line and operational guidelines to the local governments were formulated.

Sanitation is a responsibility the MWE shares with the Ministry of Health (for household sanitation and hygiene promotion) and the Ministry of Education (for school sanitation and sensitisation), as defined in a Memorandum of Understanding of 2001.

The **Environment and Natural Resources** sub-sector is – as it was a separate sector at the time of programme formulation – not part of the JWSSPS but will be included in the follow-up JWESSP. During the past decade the sub-sector has received substantial support from bilateral DPs and international organisations but still suffers from low funding, insufficient capacities and an institutional framework that needs clarification of the roles and responsibilities between MWE, the autonomous authorities (see below) and local governments.

The MWE, through its Directorate of Environmental Affairs (DEA), is directly responsible for Wetland Management, Forestry Sector Support, Environment Support Services and Meteorology (four departments) while the National Environment Management Authority (NEMA) and the National Forestry Authority (NFA) are semi-autonomous entities under the general supervision of the Ministry.

**NEMA** is in charge of environmental regulation, monitoring, supervision and coordination of environmental management, responsibilities that partly overlap with those of MWE Departments (Environment Support Services, Wetland Management, Water Resources Management). **NFA**'s core responsibility is the management of the Central Forest Reserves (CFR) of Uganda, i.e. forests owned by the central government.

The sub-sector also includes the activities of a **Climate Change Unit (CCU)** reporting directly to the Permanent Secretary of MWE. The rationale is to mainstream the climate change agenda as a cross-cutting issue. The CCU is also the focal point for Uganda's international commitments and interests related to climate change.

## 1.2 JWESSP PREPARATION PROCESS

The conceptual development, formulation and formal preparation of the JWESSP (2013-2018) will take approximately two years. This will allow for adequate consultations of all sector stakeholders and for the procedural requirements of the programme partners in time to start the implementation of JWESSP in June 2013.

The preparation process has been launched in April 2011 under the overall leadership and ownership of MWE. Activities will be driven by a Programme Preparation Committee (PPC) reporting to the WESWG, with the assistance of a Process Consultant whose first deliverable is the present Inception Report. Terms of Reference were prepared for the overall preparation process, for the PPC and for the Process Consultant. The first meeting of the PPC, which consists of 25 members (14 government and 7 DP representatives plus 4 advisers/observers), took place on 15<sup>th</sup> June 2011.

As a successor programme JWESSP will build on the experience of both JWSSPS formulation and implementation. The JWSSPS preparation process was rated as largely successful in a process evaluation<sup>4</sup> conducted in 2008 but will be streamlined to some extent. Thus, instead of a full Identification and Preparation Report (IPR) this Inception Report provides a rather concise review of experience and issues to be considered during the next steps of the preparation process.

The process evaluation had recommended considering alternative methods of programme development, with the intention to minimise transaction costs and maximise capacity

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<sup>4</sup>Report of the Evaluation of the Joint Water and Sanitation Sector Programme Support (JWSSPS) Formulation Process, CIP Consult, May 2008

building. "Where there are sector investment plans, reviews of such plans would even eliminate some of the laborious steps such as IPR etc." Indeed, it should be considered whether not only the preparation process but also the JWESSP itself can be aligned even more to general sector procedures and planning documents. The need for specific JWESSPS programme documents and procedures could be reduced to a minimum necessary to define the cooperation, decision making, funding and monitoring modalities. This suggestion will be further elaborated on in section 5.1 (last part).

The tentative Process Action Plan (PAP) in its version of July 2011 schedules the following next steps of the preparation process (*additions by the Process Consultant in italic*):

- Discussion of first draft of Inception Report (IR) with assessment of need for further investigation/detailed studies: August 2011 (*discussion meeting now scheduled for 14<sup>th</sup> September 2011*).
- WESWG meeting on draft IR: September 2011
- Technical assessment / feasibility studies as required; this includes minor studies (if required) to identify, collect and compile critical data, information for preparation of the JWESSP Programme. Recruit necessary consultants for the studies and for the actual formulation.
- *Report on the progress of JWESSP preparation at the Joint Sector Review scheduled for October 2011*
- Presentation of draft Concept Paper: December 2011
- Approval of Programme Concept Paper by WESWG: January 2012
- Formulation of JWESSP Document: February to July 2012
- Stakeholders workshop on the draft JWESSP Draft Programme Document: August 2012
- Joint Appraisal Mission (GOU/DPs): August 2012
- Final adjustments to JWESSP Programme Document: September 2012
- Signing of the Programme Document/Approval Processes by GOU/DPs: September to November 2012
- Bilateral Agreements, and Joint Financing Agreement; January to May 2013
- Start JWESSP: July 2013

The time schedule according to this PAP is presented graphically in section 6.2. The schedule will be updated as and when required.

It should be noted that assessment/feasibility studies that are considered critical for the preparation of the Concept Paper should be available by end of November 2011. If this is not possible to submit a final report by this time at least the essential results (e.g. a presentation of the findings, conclusions and recommendations) should be made available at this time. Refer to section 6.1 for the Process Consultants' recommendations regarding the studies to be conducted. The ToR for these studies will be prepared immediately after they are agreed at the PPC/WESWG meetings in September 2011.

## 2. **REVIEW OF JWSSPS IMPLEMENTATION EXPERIENCE: LESSONS LEARNED**

### 2.1 **RESULTS OF THE JWSSPS MID-TERM REVIEW**

#### 2.1.1 **Overview of findings and recommendations of the MtR**

The JWSSPS Mid-term review (MtR) conducted between November 2009 and February 2010 highlights a number of issues and findings that are highly relevant for the preparation process of the future JWESSP. The following summary of the findings and recommendations is based on the Final Report where the comments of MWE and DPs are already taken into consideration. In each of the following paragraphs, a summary of the findings is followed by key recommendations of the MtR, listed as bullet points. *Quotations from the MtR report are shown in italic.*

As to the **general effectiveness and pertinence of JWSSPS**, the report states that it is problematic to apply standard evaluation techniques for a sector-wide intervention and that a full impact evaluation was beyond the scope of the MtR. However, the *JWSSPS* "is found to be an efficient way to align the DPs in order to have less overlaps, more transparency, and pooled TA." "Results achieved by the sector are well covered in SPRs and overall, the JWSSPS seems to be working effectively." "It has made use of and has strengthened existing government systems, has followed government policies and strategies and respected divisions of responsibility, and has avoided the unilateral introduction of innovations." "The implementation modalities are fully aligned with government procedures, and the Programme has harmonised the contributions of the Development Partners according to the requirements of the Paris Declaration."

**Per capita investment costs** are described to be reasonable by international standards. The unit costs of investments made by local governments (using DWSCGs) are found to be roughly the same as for investments made by NGOs for the same type of technology.

The fact that **little progress is being made on safe water coverage** – the key sector target – is mainly explained by the fact that the current level of sector funding the sector is just able to keep up with population growth and maintain the present coverage (rural water: 65%) but not to increase coverage. If the official sector targets are to be reached this requires a substantial increase in funding.

Another concern raised is the **reduction of effectiveness of capacity building at the local government level** as a result of the increasing fragmentation of districts.

Key recommendations that are relevant for the JWESSP preparation are:

- *DPs and GoU should discuss funding constraints in relation to achieving the sector<sup>5</sup> targets.*
- *Continue targeted capacity building for district governments; the capacity of the TSUs should to be adjusted to cope with the increasing number of districts.*
- *Follow up on recommendations from the value for money audits.*

The **Sector Performance Measurement Framework** developed since 2004, essentially consisting of a set of indicators ("Golden Indicators") and targets, reporting and review mechanisms, and a related database and Management Information System (MIS), is generally seen as appropriate. The MWE Sector Performance Report (SPR) "provides a comprehensive and detailed overview of the sector". With the recent improvements of the MIS and the Water Atlas Up-date Project (WATSUP) "the mechanisms and instruments

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<sup>5</sup> Original wording: PEAP targets. The key sector targets have not changed with the transition from the PEAP (Poverty Eradication Action Plan – 1997 to 2008) to the current National Development Plan (NDP)

*should be in place for proper and satisfactory progress and performance monitoring and reporting of the sector activities and achievements.”*

However, an adequate set of indicators to monitor the performance of the water resources management functions of DWRM was still under development at the time of the MtR.

The JWSSPS Programme Document had proposed an **additional set of milestones and benchmarks** to be monitored. The idea was to *provide the DPs with a “tool” to monitor the impact of the JWSSPS on the general sector performance and to document that the sector was progressing in a sufficiently positive manner.* The Programme Document argued that the “additional milestones and benchmarks are required to provide a more comprehensive picture of JWSSPS assisted improvements.” However the MtR team found that this additional monitoring tool had **never been approved** and that apparently *“the benchmarks have not been used in any systematic manner.”* It seems that the monitoring matrix was too elaborate, monitoring responsibilities were not clear and there were doubts about the appropriateness of having a parallel monitoring system running.

Key recommendations that are relevant for the JWESSP preparation are:

- *In the light of the new developments in the sector resulting from the Joint Sector Budget Support Framework, the creation of the Directorate of Water Resource Management, new MWE departmental mandates, the endorsement of JAF etc., the 2004 Sector Performance Measurement Framework document should be updated and aligned to include the three sub-sectors – ENR, WSS and WRM<sup>6</sup>.*
- *Review the SPR in terms of content, format, launch process (JSR) and dissemination methods to take into account the wider WESWG forum and increased institutions responsibilities with a view of arriving at the most cost effective and efficient sector reporting<sup>7</sup>.*

**Funding modalities:** The MtR clearly states that *“all the implementation and funding modalities set out in the JFA are still relevant to the Programme.”* The **JPF** is seen as a financing modality that is aligned with government programming and financial management procedures but allowing for sector level decision making with a direct link to sector reforms, sector targets and sector structures. The **Sector Budget Support (SBS)** modality, on the other hand, is described as a step towards General Budget Support as funds are not effectively earmarked and budget allocation decisions are not made at the MWE level but through the general budget process. This has to be seen in the context of a continuous decline of budget allocations to the water and environment sector<sup>8</sup>, whereas the Joint Financing Agreement (JFA) stipulates a GoU commitment to ensure that *“funding to the Water and Sanitation Sector through the MTEF is progressively increased”*. Finally, the MtR states that *“continuation of the JPF modality is viewed favourably by both the Development Partners and the MWE for reasons of reliability and timeliness of funds release.”*

A particular aspect highlighted in the MtR is the **need to finance deconcentrated sector support structures** such as the WSDFs, Technical Support Units (TSUs), and Water Management Zones (WMZs), *“for which central funding is not guaranteed in any budget line”*. These emerging entities are still in the process of institutional consolidation– a situation that has not substantially changed since the MtR.

Important MtR recommendations regarding financing modalities are:

- *JPF should be retained until the intermediate level institutions (i.e. TSU, WSDF, WMZ) are recognised and adopted by government as formal budget entities.*

<sup>6</sup> Since 2009 the Sector Performance Report already covers all these sub-sector. However, the performance indicators and related data collection systems for ENR and WRM are still under development.

<sup>7</sup> This might also involve rescheduling the JSR to September so that it can feed into national level review which commences in October, as requested by OPM.

<sup>8</sup> For a recent update on this issue see Water and Environment Sector Performance Report 2010, page 17.

- *The DPs should strive to provide non-earmarked, rather than earmarked, support to the JPF.*
- *DPs should continue to identify their criteria for selecting sub-sectors - and/or macro-level support initiatives, and assess progress towards the effective implementation of the Sector Budget Support Framework, before adopting a transition from JPF to SBS funding modalities.*
- *Provision for recurrent costs incurred by the JPF programme investments need to be signalled during annual sub-sector planning and preparation of the MTEF so that future recurrent costs of the investments can be budgeted for annually by MoFPED. MWE should enhance its policy formulation and advisory capacity and engage more fully with the requirements of the SBS modality.*

A baseline **Fiduciary Risk Assessment** (FRA) of the sector was carried out within the framework of the JWSSPS design in 2007 which identified, as described in the MtR report, a *multitude of fiduciary risks and recommended mitigation measures. This FRA concluded that: (1) the GoU has a sound legal and regulatory framework; (2) the main problem is lack of compliance with the regulations; (3) Fiduciary risk is still high both at central and LG levels... To some extent the size of this list has made it difficult to sort the wheat from the chaff.*

One of the major concerns mentioned is that the new Districts use a significant part of the DWSCGs for setting up their offices and infrastructure rather than for service delivery.

The MtR team recognizes that **many of the fiduciary risks cannot be addressed by the Sector on its own** - *including sector budget allocations, lack of political leadership, strengthening of laws against corruption, and addressing audit queries on District Local Government expenditures. The Review Team also understands that this is now the responsibility of the actors in the Joint Sector Budget Framework.*

The reaction of the Sector to set up a Good Governance Thematic Group and develop a Good Governance Action Plan including regular progress reporting (see also section 3.7.2 of this report) is seen as appropriate to address those issues that can be handled at the Sector level. Progress is being made and *although DPs were initially the driving force for anti-corruption measures within the sector it is well supported internally.* Nevertheless external support of the Good Governance agenda and funding of related VfM studies, workshops and audits through the JPF is seen as essential.

The resulting recommendation is therefore:

- *External support is needed to drive the Good Governance agenda and this may be made more effective by lobbying for enhanced transparency and accountability at central levels through the Local Government DP group.*

Regarding the **sustainability** of infrastructure investments the MtR reports commendable efforts but states ongoing problems both at the level of urban/piped water facilities (cost recovery, private operator contracts, regulation, non-revenue water) and rural water supply (lack of maintenance related to the neglect of software components by districts, non-availability of spare parts).

The MtR Team concludes that *the long term functionality and sustainability of infrastructure requires a more systematic financial and technical approach* and recommends to:

- *Explore the institutional and funding arrangements for TSU, Umbrella Organisations and WSDF with a view of mainstreaming the O&M support structures into government decentralized structures.*
- *MWE should consider restructuring by creating an O&M Unit within the rural water department of DWD.*

A separate section of the MtR report is dedicated to **Water for Production** which has been incorporated into JWSSPS at a later stage than the other components, to reflect the high priority given to the sub-sector by GoU. The MtR report states recent progress (e.g. update of the WfP Strategy, improved coordination mechanisms) but highlights a number of substantial concerns, including very low functionality of existing WfP facilities, dramatic cost overruns of the pilot projects and still insufficient linkage with the Ministry of Agriculture (MAAIF) to ensure joint planning and operational cooperation.

Important recommendations are that:

- *The coordination between MAAIF and MWE needs to be strengthened further and be clearly elaborated at operational level if WfP is to succeed. If need be, a special allocation from JPF could be set aside to be used in elaboration of this working relationship.*
- *Closer links between DWRM and WfP Department are needed to ensure that sustainable water for multi-purpose use programmes is based on sound water resources assessment studies.*
- *At least O&M cost recovering collection systems according to the volume of water used by beneficiaries have to be developed and put in place for sustainability of the investment.*
- *The indicator for the WfP sub-sector (“golden” indicator 6) should be refined to give an indication of the actual usage of the new/rehabilitated water retention, storage and distribution infrastructure.*

The **sanitation component** of JWSSPS envisaged support to improving sanitation and hygiene in four complementary ways:

- (i) Support to local governments through a specifically established conditional grant for sanitation (under the health sector ceiling)
- (ii) Support to NGOs to raise community awareness on personal hygiene (funds to be channelled directly to the NGOs).
- (iii) Support to a planned WSP capacity building project
- (iv) Improving urban sanitation with a special focus on slum areas (provided via the JPF of the MWE).

The status at the time of the MtR was that:

- (i) The sanitation conditional grant has been endorsed by MoFPED but has not yet been operationalised and therefore no such funds have been released;
- (ii) Support to NGOs has been channelled through UWASNET, funds which are used “to pay mainly NGO staff salaries.”
- (iii) Funds release to WSP has never materialised.
- (iv) (no status update provided in the MtR report)

The MtR report further states that “at national level there are no clear sectoral guidelines for sanitation financing. Different line ministries expect other ministries to prioritise funds for sanitation and hygiene within their own sector ceilings.”

The MtR team therefore recommends that:

- *An inter-ministerial working group, probable led by Ministry of Local Government, should be set up to implement the budget line for Sanitation.*
- *Implementation of the integrated budget line be combined with the reform of the sanitation MoU. In addition to the ministries already identified in the existing MOU, the MoLG, MoGLSD and local governments should be included in the revised MOU.*

The MtR states a clear need to strengthen the institutional linkages between **DWRM, DEA** and the **Climate Change Unit (CCU)**. There is need to work in a synergetic manner within MWE as there are *common interest and even overlapping activities between the two directorates*, in particular related to water resources management and climate change. Since climate change adaptation in Uganda is strongly concerned with water management issues a better integration of the activities of the CCU and the DWRM is essential.

DWRM (as a Directorate) and CCU are still relatively new institutions and need ongoing capacity building and consolidation. To assist efforts for better coordination the JPF funding mechanism should be extended to cover the CCU, according to the MtR.

The **WRM sub-sector** *is particularly sensitive to budgetary cuts in as much as recurrent costs represent the bulk of the total operational expenditures. At the commencement of the JWSSPS in 2007, it was assumed that GoU would gradually ensure sufficient human resources and funding to water resources management through the Consolidated Fund and that core funding to DWRM operations through the JPF should be tapering off. The situation is, however, that DWRM still depends considerably on JPF funding to the extent that the DP support through the JPF currently constitutes some 65% of the total DRWM budget.* Continued assistance and further TA and capacity building under the JPF is therefore seen as inevitable *to ensure sustainability and completion of the institutional reform process, including the process of deconcentration / decentralisation enabling synergy with other MWE activities.*

The resulting recommendations are as follows:

- *The funding of DWRM activities through the JPF mechanism should continue to the end of the programme period (note: referring to JWSSPS; however, the reasons for ongoing JPF support will not have changed by the end of the JWSSPS).*
- *MWE should approach Danida and other DPs with the aim of having the existing and new funding possibilities for water related climate change adaptation activities channelled through the JPF for the benefit of both CCU/DEA and DWRM.*

### **2.1.2 Review of the assumptions and risks formulated in the JWSSPS Programme Document**

In its section 3.2 the MtR Final Report presents a review of the eight **key assumptions and risks** stated in the JWSSPS Programme Document of 2007. As this analysis essentially still holds and all assumptions are still relevant the essential messages are presented below. All statements printed in *italic* are quotes from the MtR Report.

#### **Assumption 1 –Rural WSS: Institutional reforms will continue and address underlying principles.**

*Gender equity concerns are still not a priority at all levels – and political interests still impact negatively on the fund allocation to rural WSS (as the rural subsector’s relative allocation within the ceiling has reduced...).*

#### **Assumption 2– Rural WSS: Human resource capacity at the district level will improve.**

*Fragmentation of districts continues at an alarming rate, necessitating more district staff as well as additional staff at TSU level, whereas the number of graduates in relevant disciplines is remaining low (rated as **high risk**; it has been commented that the main issue is not a low number of graduates – in fact there is no lack of graduates – but the poor terms and conditions of service coupled with a low level of conditional grant funding, which is a result of district fragmentation).*

#### **Assumption 3–Small Towns WSS: The concept of a legally established WSDF will be adopted at the political level.**

*The concept WSDF is still not adopted at the political level in legal terms. Nonetheless, the process is ongoing. Reluctance at the political level to legally establish an autonomous funding mechanism is still present. (Comment: After the MtR a detailed design study regarding the institutional structure of WSDF has been conducted that sees legal establishment of the WSDF as a Fund as a long-term option.)*

**Assumption 4–Large Towns WSS: A collaborative framework is established for effective urban sanitation management (between urban authorities, NWSC and the private sector).**

*There is still no clarity on urban sanitation management (delegation of mandate between urban authorities, NWSC and the private sector).*

**Assumption 5 - Sanitation: The sanitation conditional grant is feasible.**

*The sanitation conditional grant budget line has been endorsed by the MOFPED, but has not yet been operationalised (at the time of the MtR – it has been operationalised by now). The use of the grant will be difficult to monitor and may create a dependency or expectation that sanitation and hygiene are financed by outside forces.*

**Assumption 6–Water Resources Management: GoU provides sufficient human resources and funds to WRM, i.e. that the sub-sector ceiling and MTEF allocations reflect the actual needs.**

*GoU has not provided sufficient human resources and funds to meet the requirement of DWRM to fulfil its mandate. The risk that budgetary pressures lead to reduced ceilings to finance DWRM's operations is a reality (rated high risk).*

**Assumption 7–Sector Programme Support: Continued institutional reforms introduce modern management procedures within clearly defined delineation of authority and responsibility, as well as acceptance of the funding arrangements that solve current funding constraints.**

*Although various strategies and studies on sector regulation, subsidies etc. have been developed, implementation of these are missing. Still slow progress in collaboration between various institutions.*

**Assumption 8–Sector Programme Support: MWE and the sector increasingly build formal and informal cooperation structures with other government entities to ensure that desired action is taken to strengthen financial management at the district level.**

*The development of cooperation between various government entities on financial management and auditing issues related to districts is advancing.*

## **2.2 STAKEHOLDER PERCEPTIONS**

In contrast to the previous section, which was based on the views of an independent team of experts, this section presents the views of the JWSSPS stakeholders themselves, i.e. the various MWE departments and DPs. Government respondents included the Permanent Secretary, the Director of DWD, and the Commissioners of RWSS, UWSS, WfP, and Water Resources Regulation (DWRM). The individual responses are documented in detail in a separate annex to this report.

The question the stakeholders were asked was: **From your point of view, what are the most relevant lessons to be learnt from the implementation experience of JWSSPS so far?**



The general feeling of all stakeholders consulted was that JWSSPS has worked well, and has achieved its objectives to improve DP harmonisation and alignment to government procedures (monitoring, reporting<sup>9</sup>, budgeting, procurement, etc.) as well as in terms of capacity development. Some believe that the Programme has helped to attract more donors to the sector, as confidence has been built. DPs came in with different foci but contributing to a set of common goals. Several interviewees mentioned the aspect of mutual learning fostered by the common programme. It has also been mentioned that with secured funding and a good monitoring mechanisms the Programme has helped to implement activities according to plans and as budgeted. It thus helps the sector to implement its priorities with the necessary flexibility. For some departments that receive less budget allocations from government funds the Programme is seen as the **only reliable source of funding**.

Remarkably there is full agreement among all the MWE stakeholders interviewed, without exception, that the **JPF financing modality** is necessary and in fact is the **preferred modality**. JPF funding is unanimously described as reliable, transparent, managed fully by the Sector, and ring-fenced for its activities. The operation modalities are described as clear and flexible, accountability measures are seen as effective. *The JPF has been a powerful instrument for strengthening and influencing policy in the MWE.* With its reliability, targeting and flexibility, JPF funding has helped to develop the deconcentrated institutional structures and implementation mechanisms (e.g. funding of piped water infrastructure through regional WSDFs). It is also seen as a necessary instrument to finance pilot approaches (*“GoU is not good at funding pilots”*) as well as capacity building. Finally, the JPF is seen as true sector funding whereas Sector Budget Support (SBS) is not earmarked for the sector. On the other hand, SBS is confirmed to be the suitable financing modality for local governments (through the District Water and Sanitation Conditional Grants – DWSCGs).

**DPs** appreciate that collaboration, dialogue and information exchange between the DPs leads to a stronger and more harmonised position. Each DP is following up and bringing forward selected issues. However, it has been stated that *the Water and Environment Sector Working Group should meet more regularly (4 times a year) and concentrate on decision making regarding budget, planning, monitoring and sector reform.* The TORs of the sector working group and sub-groups should be revised so that policy issues are transmitted to the WESWG from a number of sub-groups. The WESWG should meet at least every quarter (and more often if required) but concentrate on the major reform issues.

The JWSSPS **Programme Document** is not directly used for operational sector planning (see sections 3.5.4 and 5.1. for further discussion of the issue of coherence of sector planning documents). Nevertheless the sector stakeholders represented at the PPC<sup>10</sup> agree that a Programme Document is required to define the future joint programme; it could be more concise than the current JWSSPS Programme Document.

The institutional setup of JWSSPS and its **implementation procedures** such as annual workplans and quarterly reporting to the Sector Working Group are reported to work satisfactorily. An issue mentioned by several respondents is the bureaucratic **procurement process** at the central government level.

Some felt that there should be more **synergies between the JWSSPS components**.

The creation of **deconcentrated sector structures** – such as WSDFs, Umbrella Organisations and Water Management Zones (WMZs), in addition to TSUs – has gained momentum during the JWSSPS period (see section 3.3.2). This is generally seen as a positive development, although one respondent cautioned that physical achievements should have priority rather than putting (too) many regional structures in place. The delegation of

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<sup>9</sup>Water Sector Liaison stated however that reporting is not yet fully harmonised with GoU, as separate reports are still needed for OPM (Office of the Prime Minister) and for JPF.

<sup>10</sup>PPC meeting of 14th September 2011

financial management authorities to the regional level is already implemented while the delegation of procurement authorities is in the pipeline.

It has been stated that **Umbrella Organisations**, as a regional structure that provides backup support for O&M of piped water systems and that is crucial for the sustainability of investments, should get more support from the centre (government and DP support) as they cannot be financed by their members as originally intended.

The fact that JWSSPS puts little emphasis on **Water for Production** is criticised by the staff of this Department. *“Potential impact on poverty alleviation is important yet DPs do not see this.”* At least there should be more piloting if DPs are reluctant to fully support the sub-sector.

The JWSSPS experience in terms of **capacity building** and **technical assistance (TA)** is largely seen as positive although many challenges remain, in particular at the decentralised, local government (LG) and non-government (private operators, NGOs) level. At the LG level, the splitting of districts and mobility of personnel are issues that undermine capacity building efforts. Capacity development at the centre needs better coordination, criteria for the selection of people for training, and more funding to be realistic. Furthermore there is need for capacity level assessment needs and monitoring of impact. An in-depth discussion of these issues will be provided in section 3.10.

**Long term TA** was appreciated by the MWE respondents and is said to be still needed. The approach that all major DPs provide TA input “in kind”, with different but collectively agreed foci, is seen as appropriate. The experience to use the MWE procurement system for the recruitment of TA has been less successful. The problematic issues are procurement effectiveness and the obligation to pay local taxes for international staff if recruited locally.

### **3. DIAGNOSTIC REVIEW OF THE SECTOR FRAMEWORK**

#### **3.1 CHANGES OF THE WSS SECTOR FRAMEWORK SINCE JWSSPS PREPARATION AND APPRAISAL**

*Note: This first section provides a brief overview of the recent changes, focusing on the WSS sub-sector. Selected aspects of the sector framework will be addressed in more detail in the following sections. Issues regarding the ENR sub-sector will be discussed in section 3.9.*

A comprehensive assessment of the WSS sector framework<sup>11</sup> was one of the bases of JWSSPS formulation in 2007. This assessment concluded that:

- sector policies and strategies are highly relevant and appropriate;
- implementation falls behind the policies, strategies and reforms;
- the MTEF work plans and budgets are suitable for support;
- the present sector ceiling is not enough to reach the sector targets;
- the overall governance systems are in place;
- the sector governance and dialogue structures (working groups, Joint Sector Review, Sector Performance Report, etc.) are highly appropriate;
- at the managerial level important and continuous improvements need to be made.

Among the key weaknesses of the sector the NSF assessment report mentioned:

- district implementation capacities, especially in new districts and in the north;
- rising costs and poor value for money in some areas;
- inadequate regulation in the urban sector;

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<sup>11</sup>Source: Uganda Water and Sanitation National Sector Framework Assessment Report, Draft, February 2007

- deficient operation and maintenance arrangements in rural areas;
- under-prioritisation of sanitation and hygiene promotion;
- low compliance with abstraction and discharge permits in water resources management.

**This overall assessment essentially still holds.**

There is strong national ownership of the sector framework, as a result of the general SWAp development during the last decade, of which JWSSPS is a key element. The sector framework remains strong at the strategic, coordination and planning level while progress on decentralised capacity development is slower than expected. However, even though the strengths and weaknesses of the sector have not fundamentally changed, the sector has shown to be dynamic and able to address the issues identified.

**Key institutional changes** since 2007 include the merging of the WSS and ENR sub-sector, with a single Sector Working Group, as well as the creation of a separate Directorate of Water Resources Management (DWRM) and a Department of Water for Production, as well as the establishment of a Regulation Unit within DWD.

Other positive developments since JWSSPS formulation are the creation an active **Good Governance Working Group**; a consolidation of the existing **public-private partnership (PPP)** arrangements including the abovementioned creation of a **Regulation Unit**; and further improvements of the sector performance monitoring and management information systems. The stabilisation of the **situation in Northern Uganda** is a favourable external factor that allows extending regular sector activities to the North.

A major change at the larger political and planning framework level is the replacement of the PEAP by a new 5-year **National Development Plan (NDP)**. The NDP puts a stronger focus on economic growth and supporting sectors (see following section, 3.2.1). Implications for the water and sanitation sector include strong political support for the productive use of (Water for Production – WfP) reflected in increasing GoU budget allocations. Indirectly it may imply budget cuts for sub-sectors that are considered as less vital (such as water resources management). It will be an important task for the sector to develop a proper implementation strategy for WfP where WRM catchment plans should be the basis for planning and implementing WfP facilities.

The adoption of the **Joint Budget Support Framework (JBSF)** by the partners involved in (general) budget support has improved the basis for providing budget support by defining preconditions, reform areas and key performance indicators. The WSS sector is among the sectors monitored by the **Joint Assessment Framework (JAF)** created in this context.

The most important single concern is the **slow progress of capacity building at the Local Government level**, which is closely related to the ongoing increase of the number of districts: Splitting of districts jeopardises the efforts to build sustainable capacities by creating smaller and smaller entities and diluting the available capacities. The small, remote headquarters of new districts fail to attract qualified professionals.

However, the **sector is reacting appropriately by creating deconcentrated capacities** at the regional level, in addition to the Technical Support Units (TSUs) that existed earlier. The rolling out of the WSDf model (for the implementation of piped water) and of the Umbrella Organisations (UO) model (for O&M support) since 2009 is a significant sector development, even though institutional consolidation of these structures is yet to be achieved. The creation of regional units for water resources management, the so-called Water Management Zones (WMZs), is presently underway (since July 2011).

There are sound sector policies and strategies on **cross-cutting issues** including gender, HIV-AIDS and the pro-poor agenda. Procedures for environmental impact assessments are well established. The key challenge is to ensure adherence to the existing policies and

strategies at the decentralised implementation level. This will be one of functions of the emerging regional “deconcentrated” institutional structures.

### 3.2 POLICY, STRATEGIC PLANNING AND BUDGETING FRAMEWORK

#### 3.2.1 Implications and targets of the National Development Plan (NDP)

Since its release in February 2010 the 5-year National Development Plan (NDP) constitutes the overarching national planning framework for the water and environment sector. As it guides investment planning and budget allocation all Government programmes are linked to the NDP.

With its theme: “Growth, Employment and Socio-Economic Transformation for Prosperity” the NDP represents a focus shift from poverty eradication to economic growth. The NDP distinguishes “Primary Growth Sectors”, “Complementary Sectors” (such as roads and energy, but also Water for Production), “Social Sectors”, where water and sanitation is included, and finally “Enabling Sectors”, where the environment, climate change and water resources management sub-sectors are included.

The overall expenditure framework under NDP foresees a reduction of the share of the water and environment sector from 4.4% of the total annual budget (2011/12) to 4.1% (2014/15)<sup>12</sup>. This is to be compared to the actual budget allocation for FY 2011/12 of UGX 242 billion, which represents only 2.5% of the total budget<sup>13</sup>

The NDP priority investment area of **Water for Production (WfP)** aims at an increase of about 50% of the irrigated area (from 14,418 ha to 22,000 ha) and a similar increase of the percentage of livestock supplied from man-made sources (from 36% to 50% in the cattle corridor and from 21% to 30% outside the cattle corridor). Other objectives are to strengthen the management of water catchment areas around WfP facilities; to increase water supply systems for rural industries (to facilitate agro-processing and other industrial activities); and to increase water supply for multi-purpose use in water stressed areas of the country (i.e. bulk water supply).

The NDP targets for safe **water supply and sanitation** are the same as under the PEAP: 77% rural coverage and 100% urban coverage, to be achieved by 2015, with a functionality of 90% rural / 95% urban. The sanitation coverage targets are the same: 77% for rural and 100% for urban areas, to be achieved by 2015. The NDP also quotes the full set of Golden Indicators of the sector and the respective targets.

As to **water resources management** the NDP sets the objectives to ensure that Uganda fully utilizes its water resources for development and that water security is guaranteed; to ensure sustainable utilization of water resources to maximise benefits for the present and future generations; and to support the sustainable exploitation of water resources for economic activities.

For the **ENR sub-sector** the NDP does not provide detailed targets. The objectives mentioned include: to restore degraded ecosystems (wetlands, forest, rangelands and catchments) to appropriate levels (forest cover to 1990 level, wetlands to be gazetted); to ensure sustainable management of environmental resources and minimize degradation; and to identify and address emerging environmental issues and opportunities. The sustainable use of wetlands shall be enhanced “*in order to achieve the optimum ecological value and socio-economic benefits for development*”.

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<sup>12</sup>NDP page 56, Table 4.10A; due to the assumed growth of the total budget this means an increase in absolute terms from UGX 366 billion to 573 billion.

<sup>13</sup>Figures for FY 2011/12 according to Sector Performance Report 2011

Regarding the **climate change** agenda the objectives are to: develop national capacity for coordination and implementation of climate change adaptation and mitigation activities in the country in support of social welfare and national development; ensure climate-proof development planning; promote a low-carbon development path; and meet Uganda's international obligations.

Finally, the objective for **meteorology** is to *"provide modern meteorological services to effectively and efficiently support the various sectors of the economy."*

### **3.2.2 Policy & strategy framework**

The sector policy and strategic framework is usually described as appropriate by international standards. For instance the National Sector Framework assessment that was conducted as part of the JWSSPS preparation process (2007) indicated that: *"policy and legal frameworks are adequate or require only minor adjustments while compliance/implementation performance/sanction frequently lags behind"*. The recent World Bank Water Assistance Strategy of 2011 states that: *"Uganda has established a generally sound legal and regulatory base for water resources management and development, and has implemented significant institutional reforms in the water sector but more remains to be done."*

However, some of the key sector strategies do not reflect any more the current sector status or the mandate of MWE:

The **National Water Policy** of 1999 is today outdated in many respects. For instance, the implementation of decentralisation, the increased role of the private sector, institutional rearrangements, cross-references to recent development plans and policy objectives, the aspect of climate change and many other developments that occurred or gained importance since 1999 are all not reflected in the NWP.

Also, there is no recent **sanitation policy** that adequately reflects the role and tasks of the Ministry of Water and Environment. The National Sanitation Policy document of 1997, which is very rarely referred to and in fact unknown to many stakeholders, is not an appropriate basis for this. The National Environmental Health Policy of 2005 focuses on the tasks of the Ministry of Health and does not specify the role of MWE. It defines the strategic priorities to promote domestic and school sanitation and basic hygiene, an area that is not the focus of MWE tasks (although sanitation coverage is one of the WSS sector's Golden Indicators!).

The **National Environment Management Policy** is of 1994; again, updating the policy basis for this sub-sector should be considered.

Whereas the overall policy framework should be reviewed and updated the sector has developed a quite comprehensive and much more up-to-date set of **sub-sector strategies** and implementation guidance documents. The following list is not meant to be exhaustive.

For the WSS sub-sector, a District Implementation Manual of 2007 provides detailed guidance for decentralised planning, implementation monitoring & evaluation and reporting, including the aspects of cross-cutting issues and sustainability (O&M requirements). There is a National Framework for Operation and Maintenance of Rural Water Supplies (2004), a National Water Quality Management Strategy (2006), and a Long Term Strategy for Investment, Planning and Operation & Maintenance of Water Supplies and Sanitation in Rural Growth Centres (2005).

The **strategic framework for sanitation** has been developed considerably with the formulation of the Improved Sanitation and Hygiene (ISH) Financing Strategy (Ministry of Health with assistance from the Water and Sanitation Program of the World Bank, 2006), which was recently complemented by the "Ten-Year Integrated Financing Strategy for Improved Sanitation and Hygiene (ISH) in Small Towns" (2010). The latter is most relevant

for the sanitation aspects of which MWE is in charge. It focuses on on-site sanitation rather than sewerage system and sets out a three-pillar strategic framework consisting of an enabling framework (pillar 1); sanitation promotion and communication (pillar 2); and ensuring access to hardware (pillar 3). There is also a Ten-Year National Strategy on Ecological Sanitation of 2008.

Among the most relevant strategic documents for the **ENR sub-sector** are the Wetland Sector Strategic Plan 2001-2010, with a successor plan being under preparation, and the National Forest Plan (NFP, recently revised in 2010). Uganda's National Adaptation Programme of Action (NAPA) on **Climate Change** is of 2007 (developed with support from GEF/UNEP).

The sector policy framework on **cross-cutting issues** includes a recent Water and Sanitation Sub-sector Gender Strategy (2010-15); a Pro-Poor Strategy for the Water and Sanitation Sector (2006); and a Water and Sanitation Sector Strategy for Mainstreaming HIV/AIDS.

### **3.2.3 Sector investment planning**

To concretize the policy / strategy objectives and define the means required to achieve the sector targets the sector has developed two Strategic Sector Investment Plans (SSIPs), one for the Water and Sanitation Sub-Sector (of 2009) and one for the Environment and Natural Resources Sub-Sector (of 2007).

The **Water and Sanitation SIP** is based on the official sector targets, including the coverage rates of 77% and 100% for rural and urban water coverage. However, to be realistic the SIP distinguishes two scenarios, a policy loyal scenario A that indicates the financial resources necessary to fulfil the official targets and a scenario B which "recognises the present low level of funding to the sector".

Finally, a consolidated investment plan has been prepared that combines scenario A for the rural water supply, sanitation and water resources management sub-sectors with the more modest scenario B for the urban water supply and water for production sub-sectors. The official targets for the latter two sub-sectors are particularly ambitious and cannot be achieved with the present level of sector funding.

This investment plan implies the following major targets to be achieved by 2015:

- 77% water supply coverage for rural areas, with a functionality of 95%;
- 80% water supply coverage for large towns and 65% for small towns (these are the Scenario B targets; full coverage and full cost recovery to be achieved by 2035);
- 77% sanitation coverage in rural areas; 10% sewerage coverage in urban areas (both large towns and small towns);
- Water resources management: 4 WMZs established and operational; a fully functioning monitoring network, a National Reference Laboratory and 4 regional water quality laboratories, and a Water Resources Institute established;
- Water for Production (scenario B intermediate targets): 5% of favourable area (irrigation potential A) utilised for irrigation; 20% of the livestock in the cattle corridor and 10% outside the cattle corridor served; 100% increase of fish production from ponds.

However, even these reduced sector targets (mix of scenarios A and B) cannot be achieved with current levels of sector funding, as clearly stated in the SIP (see section 3.6.1 for a further discussion of sector funding levels).

All calculations of investment requirements are based on a Strategic Sector Investment Model (SSIM) that allows projections up to 2035. However, the JWSSPS Mid-term Review

found that the MWE capacity to use the SSIM is limited. This is a concern as the SIP/SSIM data need to be updated on a regular basis.

The **Environment and Natural Resources SIP** has been developed for the ten-year period from 2008/09 to 2017/18. Preparation of a new SIP (phase II) is planned to be ready at the end of year 3 of the present SIP.

The ENR SIP defines 5 Key Result Areas, each with its strategic objectives, strategies, and targets: a) Secure Land Tenure/Ownership; b) Sustainable Harness/Use of Natural Resources; c) Clean, Healthy and Productive Environment; d) Productive Natural Resources Base; and e) Harmonious Strategic Planning and Management. The SIP also covers areas that are not under the MWE responsibilities, e.g. fisheries.

### **3.2.4 Budget planning**

Budget planning follows the standard GoU budget cycle. It is mentioned here to highlight the importance of linking sector strategies and investment plans to operational budget planning.

The **budget process** starts in November/December with a first Budget Call Circular in response to which the MWE submits its Budget Framework Paper. After a second and possibly a third budget call the final budget is approved by parliament and published in the Ministerial Policy Statement. There are four “**Votes**” that are relevant for the water and environment sector: 019 – Ministry of Water and Environment; 150 – NEMA; 157 – National Forestry Authority; and 500 – Local Governments.

The sector has little control of **budget allocations to sub-sectors** as the figures presented in the “budget tool” can only be changed at a very late stage of the budget process. Therefore, **good coordination and steering mechanisms within the Water and Environment Sector do not necessarily mean that the agreed priorities or allocations are reflected in the budget.** The involvement of WESWG is relatively weak and superficial.

According to the National Budget Framework Paper (BFP, FY 2011/12 to 2014/15) it is intended to **increase allocations** to the water and environment sector substantially (from UGX 172 billion in 2009/10 to 294 billion in 2012/13, with GoU allocations alone rising from 121 billion to 196 billion). However, experience has shown that these projections beyond the current budget year are not reliable predictors of actual future budget allocations.

In the BFP, **budget planning** is very detailed but mainly referring to outputs (such as: Number of boreholes drilled), not to sector outcomes (e.g., the increase in water supply coverage achieved by the drilling of boreholes). It is therefore difficult to see and interpret the coherence between budget planning and sector targets / SIP.

The water and environment section of the BFP quotes the official water and environment sector targets but later states that *“in the medium term, the sector will raise rural and urban safe water coverage to 65% and 68% respectively”*. However, this is in contradiction with the annual rise needed to achieve the official sector targets. There is **no reference to the SIP** where the investment requirements to achieve a certain coverage target are calculated.

### **3.2.5 Conclusion: Coherence of sector policy/strategy, planning and budgeting**

Despite the high level of sector development and the large number and good quality of strategic documents the sector framework does not seem to be fully coherent in terms of linkages between the policy, strategy, investment planning and budget planning levels.

Efforts should be made, in the context of the planned JWESSP, to create a transparent and coherent sector planning framework that integrates NDP and policy objectives (including the updating of policies where needed), sub-sector strategic plans, SIPs, and budget planning documents. The SIP and the related Sector Investment Model should become an operational tool for budget allocation.

### 3.3 INSTITUTIONAL CAPACITIES

#### 3.3.1 Results of the “Functional Review of the MWE”

Very recently an international consortium was contracted by the Ministry of Public Service to carry out a comprehensive review of Ministries and Agencies of the Government of Uganda. The Ministry of Water and Environment was one of 64 government institutions screened. A “final draft” of the MWE Functional Review has been submitted by the consultant in May 2011. MWE has provided many comments and suggestions regarding this draft. A final report endorsed by the Ministry of Public Service was not yet available at the time of writing.

However, some of the key findings of this Functional Review shall be reported in this section, inasmuch these are relevant for the future JWESSP.

In general, the Functional Review (FR) states that there is a **high vacancy position** in the Ministry as a whole. For example in the Directorate of Water Resources Management the vacancy rate stands at 54%. *The approved staffing levels for MWE are 629. Presently, 404 positions are filled, while the balance, 225 are vacant.*

The **coordination mechanisms** between the MWE and other Ministries / Agencies involved in the water and environment sector are characterised as **weak**. This affects service delivery in areas with shared responsibilities, in particular sanitation, water for production and environment sub-sectors. The FR therefore recommends **strengthening the Water Policy Committee and the Policy Committee on Committee** as well as their linkages with the WESWG.

The FR further criticizes the MWE structure regarding core functions of planning and monitoring sector activities. The existing **Water Liaison Division** is said to be misplaced in DWD as it should handle issues for the entire water sector. “Given the facts that the ENR Subsector also requires such services, there is need to rationalize the entire Water and Environment Liaison”. (Note that this recommendation has also been made by the JWSSPS Mid-term Review).

The **ENR Sub-Sector** generally suffers from a **lack of clarity of the roles and responsibilities** of key actors. *As a consequence, there are gaps and overlaps in the portfolio of key governmental actors, in particular between the Directorate of Environmental Affairs of the MWE, Wetland Management Department and NEMA. Key tasks on central government level such as policy formulation for emerging issues, harmonization of policies, and integration of policies in sector strategies or sustainability assessment of government policies are lacking due to unclear roles.*

The report provides one concrete example: NEMA is under the general supervision of the MWE. *But at the same time, MWE established Directorates (DEA) and Departments in charge of Environmental Management issues (lead agencies) which form part of horizontal linkages under NEMA Supervision. This has created a challenge in who is supervising who especially when the Minister delegates her supervisory responsibilities to these lead agencies being the technical team on environment matters.* It is therefore recommended to **harmonise the functions of DEA and NEMA** to ensure that they complement each other.

In a similar way, the FR states coordination challenges and possible duplications of roles in the area of **Water for Production**. *The coordination of planning by MWE (water infrastructure) and MAAIF<sup>14</sup> (productive use of water) is a major challenge for the overall sector planning and especially the major investments in bulk multi-purpose infrastructure. The division of responsibility for on-farm activities (MAAIF) and off-farm (MWE) has implication for the planning of facilities and the demand driven approach since the demand is*

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<sup>14</sup>MAAIF: Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)



*stimulated by activities under MAAIF and the supply of water is provided by activities under MWE.*

Another weakness of the legal / regulatory framework is that: **Existing policies and legal measures are not effectively implemented and operational at the local government levels and in the communities.** *Follow up on rules and regulations and the general enforcement is lagging behind.* The FR therefore recommends strengthening enforcement.

For **RWSS** the major institutional challenge reported is the inadequacy of capacities of institutions involved in the sub-sector, particularly the local governments and the private sector. The FR also states: *inadequate funding for the sub-sector to both meet the needs of the population growth and reaching sector coverage targets as well as the increasing costs in water scarce areas.*

The main challenges mentioned for **UWSS** are that inadequate capacities of Water Authorities and Private Operators to plan, manage, operate and maintain the water and sanitation facilities leads to DWD being drawn away from its core function of monitoring and regulation and using resources for supporting O&M as well as supporting investments in towns. The framework for regulating water and sanitation services is also characterized as inadequate, with the main issues of concern relating to *contract monitoring and compliance, tariff setting and adjustment, sustainability requirements and equitable access to services.* The existing Regulation Unit is seen as insufficiently staffed to ensure effective regulation of the National Water and Sewerage Corporation (NWSC) as well as for the numerous small towns water supply schemes. The FR therefore proposes to upgrade the existing Regulation Unit to a Water Utility Regulation Division and to aim at establishing an Independent Regulator.

A key achievement in **sanitation** is the rise of the profile of integrated sanitation and hygiene by the National Sanitation Working Group (NSWG) which *has spearheaded preparation of a range of policy papers and studies, key among which is the 10 year ISH Strategy and the School Sanitation Study.* Progress is also reported on sanitation coordination and performance monitoring at the district level. A key recommendation is that *local governments should enact sanitation bye-laws with clear requirements for the construction of latrines, clarification of roles and mandates, and clarification on activities that are legal or illegal in terms of safeguarding public health.*

As to **Water for Production** the FR notes positively that *MWE has developed a number of guidelines and strategies to guide all stakeholders on the management of facilities.* The reported key challenges are: inadequate capacities and coordination of WfP activities at the local government level; the challenge of coordination between MWE and MAAIF (as mentioned earlier); and low sustainability of the installed infrastructure. The FR quotes a functionality assessment of 2009/10 according to which only 26% of the WfP facilities were fully functional while 61% were partially functional.

With reference to the **ENR sub-sector** the FR recommends to *refine the roles, responsibilities and interfaces of key actors in the ENR sector needs to, backed with sufficient funding and political support.* Based on the refined roles and responsibilities, *the key processes such as coordination, planning and reporting have to be defined and established.* These processes include all actors on central and district level. In particular the FR mentions institutional problems of the **wetlands** sub-sector: *There are gross overlap of functions and roles with NEMA especially on the carrying out and processing of impact assessment and issuance and approval of wetland use permits.*

The National **Climate Change** Secretariat is currently managed under project arrangements. This has negative effects on the staff's morale, confidence and loyalty, according to the FR. The climate change unit should therefore be mainstreamed. The proposed structure is a Department reporting to the Permanent Secretary.

### 3.3.2 Deconcentrated structures and capacities

A key institutional feature of the sector is the current process of creating and mainstreaming a system of deconcentrated MWE structures with nationwide coverage. This is the sector's response to the fact that a number of tasks cannot be handled adequately by central administration nor by local governments. This is partly related to the fact that, due to the continued splitting of districts, the need for capacity building and backup support has increased rather than decreased as originally expected. Other functions, such as regulatory and monitoring functions, will always need presence of MWE in the region as they cannot be assumed by the local governments.

The MWE is fully **in the driving seat of this deconcentration process** and has been systematically creating new regional entities during the last three years. The geographical delimitation of the various entities is not identical but similar, i.e. between 4 and 8 units are needed to achieve national coverage.

The **existing deconcentrated structures** are:

- Technical Support Units (TSUs) for support and capacity building at the local government level (District Water Offices);
- Water and Sanitation Development Facilities (WSDFs), for project preparation support and appraisal, financing and implementation of major investments (in particular piped water supply) in rural areas; WSDFs could also be adapted for funding WfP and WRM investments;
- Umbrella Organisations (UOs), created as membership associations to provide O&M backup support to their members, in order to ensure the sustainability of infrastructure investments;
- Water Management Zones (WMZs), as platforms for catchment level integrated water resources management, also in charge of water quality monitoring.

National coverage has been achieved for TSUs, WSDFs (since 2009) and UOs (since 2010) whereas WMZs are still at a pilot stage.

The **ENR sub-sector** has also started to create regional structures. There are

- 4 Regional TSUs with a Regional Wetlands Coordinator, of which 2 are operational.

In addition it will be necessary to consider the need for deconcentrated structures in charge of

- Regulation;
- Environment management and compliance monitoring.

Each of the existing structures has a different history, originally created as a temporary support structure or as a pilot project arrangement, but it is now generally recognised that there should be a **consistent architecture of deconcentrated entities**, with clear institutional roles and status and reliable financing modalities.

Among the **issues to be clarified** are:

- Financing channels;
- The degree of autonomy – in terms of governance, decision making, human resource management, and financial/contract management – that is necessary (from a functional point of view) and possible (from a legal point of view);
- The potential for synergies and potential conflicts of mandates (e.g. support vs. regulation and supervision) between the various entities.

Detailed design of the WSDF structure is still underway in 2011. Delegation of financial management authorities (under the oversight of the Permanent Secretary of MWE) has already been achieved while the delegation of procurement authorities was underway at the time of writing.

In order to capture the **requirements and views of the different MWE departments** the following questions were asked as part of the consultation process for this Inception Report:

**Regarding the deconcentrated activities / services of your Directorate/Dept./ Unit:**

- a) **How important is regional presence (for your Directorate/Department/Unit)?**
- b) **Do you see potential linkages or synergies with existing or planned deconcentrated units (TSUs, WSDFs, Umbrella Organisations, Water Management Zones)?**
- c) **Do you see incompatibilities?**

The **leadership and cross-cutting units**<sup>15</sup> of MWE and DWD clearly stated that all these regional structures are needed and very relevant for capacity building, to take services and technical backup support closer to the people, and as a channel for monitoring. *“They should have been there long time ago.”* However, even in the phase of deconcentrating MWE activities local governments should remain responsible and accountable.

This should be done *“in an integrated manner so as to harmonise activities and operations, and increase efficiency”*. Therefore, deconcentrated entities should be in the same premises, share facilities (e.g. internet access) and transport and some staff. But as the functions are quite different not all can be jointly managed. WSLD is preparing a coordination framework to avoid duplication.

There are hardly any worries regarding incompatibilities (question c) although some stated that this question might require an in-depth study. For instance, it has been suggested that TSUs should assume a monitoring function, by providing quarterly monitoring reports to MWE and conducting spot-checks. This supervisory role might change the profile of the TSUs which have been set up as a unit to provide support and capacity building.

The above views are essentially shared by **RWSS**. *TSUs have enabled us to be in touch with all LGs, and we know what is going on at that level. We have built a rapport, and our units are no longer feared, on the contrary there is a high demand for them.* However, RWSS cautions against combining all functions: *It would be too big. Over-integration (Ministry at regional level) would fail.*

**UWSS** stresses the importance of WSDFs to improve delivery and adds the aspect that MWE is now more visible throughout the country.

For **DWRM** the staff of WMZs should have enough seniority (principal level) to sign permits and have adequate authority.

**WfP** has also developed a deconcentrated approach, the so-called Area Approach, where the cattle corridor (22 districts) is divided in three sub-areas although the engineers and social scientists in charge are based in Kampala. A functional link exists mainly with the WMZs, as WfP projects have a direct impact on water resources. TSUs can help when it comes to implementing construction works.

The **Regulation Unit** does not yet consider deconcentration as a priority but states that in the future there might be need for it, if possible using synergies with other deconcentrated structures.

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<sup>15</sup>This para summarises statements made by the PS, the Director DWD, and the head of the Water Sector Liaison Division.

In the ENR sub-sector the **Wetlands** Department has four Regional Technical Support Units (RTSUs). These are financed from the centre but suffer from irregular funding (only from GoU), lack of transport and other constraints. RTSUs are staffed with contract staff hired by the district local government, which is not sustainable and creates conflicts of interest when it comes to sensitive issues. In the future there will be a Division for Technical Support under which officers will be based in the four regions. Operational linkages with water sub-sector regional structure do exist and it should be considered whether all could be working under the same roof and sharing transport and other resources.

The **Forestry** Department also considers the creation of deconcentrated capacities as very important and has started to develop TSUs under the Farm Income Project (FIEFOC). However, these cover only few districts, so the mechanism needs to be spread over the country. Again, collaboration between ENR and Water TSUs would be appreciated. This would help improve the profile of ENR as *“we are too thin on the ground”*.

The **Climate Change Unit** does not intend to create regional structures but CCU guidelines and messages should be mainstreamed to existing deconcentrated units (WMZs, TSUs, ENR staff). There should be a focal point (as a contact person, not a new employee) who would receive CC capacity building. Details on the way how to institutionalise this at the deconcentrated level are yet to be developed.

Finally, the **Meteorology** Department also intends to have four regional offices, according to its strategic plan. Again, sharing offices and communication facilities is seen as an interesting option.

In **conclusion**, there is general agreement that **regionalisation is necessary** and that the **potential synergies should be used**, at least in terms of infrastructure to be used jointly. There is less agreement on the desirable degree of managerial integration and on the compatibility of functions and responsibilities. To establish these, a specific study should be undertaken. This study should encompass both the WSS and ENR sub-sectors as the functional linkages and possible synergies go across both sub-sectors.

### 3.4 SUSTAINABILITY AND O&M ARRANGEMENTS

The sustainability of infrastructure investments, to be ensured through appropriate operation and maintenance (O&M) arrangements, remains a concern although progress is being made. According to the JWSSPS Mid-term Review, *“addressing the limited and even complete lack of operation and maintenance capacity remains a severe constraint to sustainability of capital investments despite MWE’s formulation of appropriate O&M frameworks and guidelines for the water sector.”*

The country’s **decentralisation policy** implies the delegation of the primary responsibility for operation and maintenance to local authorities, of which many have low managerial and technical capacities. Financial sustainability is to be ensured through **local cost recovery**.

In **small towns**, PPP arrangements have resulted in performance improvements but both the public and the private counterparts tend to be weak. Quote from the JWSSPS Mid-term Review: *“The private operators who are contracted to run the schemes have a contract period of just three years during which time he/she will avoid necessary but costly maintenance measures, and use the revenues for operational costs only. In addition, many schemes have a very high percentage of non revenue water, and therefore the actual revenues cannot cover maintenance. Regular audits of the schemes and their operators that would establish the cause of high volumes of non revenue water are not taking place. The Review Team concludes that the long term functionality and sustainability of infrastructure requires a more systematic financial and technical approach.”*

**Independent regulation** is still at an emerging state, although the establishment of a Regulatory Unit within DWD (2009) is a significant step forward. The Regulatory Unit is presently concerned with the water supply sub-sectors only.

Regional **Umbrella Organisations** (UOs) appear to be an appropriate instrument to provide the necessary backup support and capacity building, but the sources and channels of funding are not yet clear and their status is somewhat ambiguous with several mandates: The wide variety of tasks of UOs – backstopping services, capacity building, surveillance, channelling of subsidies... – raises questions regarding the capacities and the compatibility of all these functions. Further clarification of the UOs' roles and (limits of) responsibilities is desirable and should be among the undertakings of the planned JWESSP. For instance, the backstopping function may lead to a situation where UOs take over a certain responsibility for service provision, which is not their mandate. This leads to a certain reluctance of UOs to accept “weaker” schemes as members, as this might have a negative impact on the umbrella's perceived performance (in terms of functionality of the member schemes).

The **Community Based Maintenance System** adopted for **rural point water sources** continues to have serious deficiencies, in particular with respect to a high percentage of inactive Water User Committees, the fact that collection and accumulation of maintenance funds from regular user fees is rarely working, and the failure to set up a spare parts supply chain in many parts of the country.

Low functionality of **WfP infrastructure** is a major concern and one of the reasons for the reluctance of DPs to invest in WfP. This is now one of the main foci of work of the WfP Department of DWD, but it is still too early to evaluate the effectiveness of the new strategies.

### **3.5 SECTOR PERFORMANCE MEASUREMENT AND TARGETS**

The sector's performance measurement system is generally well developed. The system of indicators and related reporting mechanisms is supported by an appropriate Management Information System (MIS). The recent completion of the WATSUP project, essentially a water facility atlas with geo-referenced water points, has further improved the basis to monitor the development and O&M of water supply infrastructure on the ground.

The purpose of this section is to highlight selected issues that should be addressed in the context of JWESSP preparation.

#### **3.5.1 Regular update of the WATSUP and MIS databases**

The Sector Performance Report 2010 states that: *“It is important to stress that the WATSUP is not a one off exercise. The ultimate objective is to set up sustainable, harmonized data systems that are continuously up-dated both at District and Central level. The WATSUP will assist all stakeholders in agreeing on a harmonized baseline from which regular up-dates will be done.”*

This is indeed a key challenge for the period of JWESSP implementation. It had completely failed when the predecessor of WATSUP, the National Rural Water Supply Atlas of 2001, had been implemented.

In addition, the JWSSPS Mid-term Review cautions that *“the MIS Units seem understaffed and need to be strengthened in this regard. It is further recommended that in the further development of the MIS, focus should be shifted towards quality and reliability of the data and information being fed to the MIS, i.e. validity of the data coming from the districts and private water supply operators.”*

**It is recommended to monitor the progress of the development of a continuous, institutionalised data validation and updating process for the WATSUP and other components of the MIS.**

### **3.5.2 Identification of indicators for the ENR, WRM and WfP sub-sectors**

The Sector Performance Report 2010 does not yet include performance indicators for the ENR sub-sector. However, a Performance Measurement Framework for the **ENR sub-sector** has been prepared and was approved in June 2011. It defines indicators, roles and responsibilities for data collection, analysis and dissemination. The 10 so-called Platinum Indicators cover the following ENR aspects: forestry (5 indicators), environmental regulation (1 indicator), solid waste disposal (1 indicator), meteorology (1 indicator) and wetlands (2 indicators). This is commendable progress but it should be noted that the definition of indicators is only a first step in a process to develop an operational system of data generation, collection, reporting and validation.

There is one **Golden Indicator for water resources management (WRM)**<sup>16</sup> but currently it is limited to the validity of permits (without being able to monitor compliance with the permit conditions) and with targets that lack ambition. Regarding WRM, the JWSSPS Mid-term Review recommends that *“Following the undertakings from the 2009 JSR, the WRM performance indicators should be included in coming Sector Performance Reports and reported separately”*.

The one Golden Indicator referring to **WfP** is named: *Quantity of Water – Cumulative water for production storage capacity (million m3)*. This is an output indicator that measures the progress of construction of infrastructure only, without taking its actual use or benefits into account.

**It is recommended to ensure that, as soon as possible, reporting on appropriate performance indicators for the ENR sub-sector is operational. Reporting on WRM indicator(s) should also be reviewed.**

**It is further recommended to identify suitable outcome indicators for WfP that allow monitoring the actual outcome of the activities, in terms of use and benefits of WfP infrastructure.**

### **3.5.3 Need for specific JWESSP indicators**

As mentioned earlier (see section 2.1.1) the JWSSPS Programme Document had suggested a complementary list of indicators (“milestones and benchmarks”, see section 8.6 and Annex H of the Programme Document), which have never been substantially monitored.

These proposed “milestones and benchmarks” were focused on issues like value for money, budget allocations, progress on the establishment of institutional structures, and enhanced accountability and transparency.

**It is recommended to reconsider, in the context of JWESSP preparation, the need for complementary programme specific indicators that do not measure general sector outcomes (as the Golden Indicators) but to monitor the progress of programme implementation:**

- **operational performance with respect to targets that can be reasonably expected with the existing funding**
- **capacity building targets**
- **milestones for the progress of institutional reforms**

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<sup>16</sup>»Water Resources Management Compliance: % of water abstraction and discharge permits holders complying with permit conditions (note that data currently refers to permit validity only).«

- **progress on good governance<sup>17</sup> / value for money / fiduciary risk issues**
- **effective budget allocations (e.g. to cover the running costs of all sub-sectors)**
- **Indicators to monitor other risks or assumptions.**

In order to identify suitable indicators the “milestones and benchmarks” of the JWSSPS Programme Document shall be revisited to analyse why these were not used and to ensure that an operational monitoring framework will be set up for the future JWESSP.

### **3.5.4 Coherence of sector targets**

The sector is presently dealing with two sets of targets: policy loyal long-term targets and much less ambitious annual targets. The annual targets are lower than what would be needed to achieve the long-term targets.

The problem behind is the gap between the funding needed to achieve the medium to long-term targets (as per SIP) and the funding actually available. The problem is that the inconsistency between the two sets of targets makes it difficult to assess actual sector performance and understand the reasons for apparently good or low performance.

For instance, setting low annual sector targets will realistically describe what the sector can expect to achieve with the available funding. However, it does not highlight that the official sector targets (including the NDP targets) are not going to be met, due to lack of funding, as the sector will appear to be meeting its targets.

On the other hand, if the sector would set fully “policy loyal” targets that are in line with the long-term goals MWE would be seen as not performing when the JAF indicators are appraised, as JAF indicators are based on the Golden Indicators. As a result, the sector would receive even less funding according to the principles of JBSF.

Important strategic messages to decision makers are therefore lost. For example, a stagnating rural water supply coverage of 65% can be due to two different causes:

- Low performance of the sector (e.g. in terms of efficiency or governance)
- Insufficient budget to reach the targets.

The reaction of a decision maker would have to be quite different! If sector targets cannot be reached simply due to underfunding this should be clearly highlighted, with reference to the SIP.

**It is recommended to make progress of the sector towards the medium and long-term sector targets (as defined in the NDP, MDGs, SIP) more transparent. Reporting should distinguish between sector performance in terms of efficiency (results achieved with the means available) and performance in terms of progress towards long-term targets (which strongly depends on the level of funding).**

### **3.5.5 Reliability of data for the indicators to be ensured**

Sector performance measurement figures have far-reaching implications and impacts: Sector indicators are not only used for internal performance monitoring but also for budget and investment planning and for monitoring the effectiveness of sector budget support through the Joint Assessment Framework (JAF).

It is therefore important to ensure high quality and reliability of reporting on the indicators. This includes the clarification and harmonisation of indicator definitions, enhance reporting

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<sup>17</sup>This is already being done by reporting on the Good Governance Action Plan at all WSSWG meetings. A similar way of reporting could be considered for the other JWESSP indicators.

and validation mechanisms. If sudden fluctuations of indicators occur, such as the recent decrease of the per capita investment costs for small towns from USD 93 (2007/08) to USD 46 (2009/10) within two years, this should be analysed and explained in order to ensure credibility of the indicator<sup>18</sup>.

**It is recommended to address remaining issues regarding the reliability and relevance of indicators and related reporting systems.**

### 3.6 SECTOR FUNDING LEVELS AND FINANCING MODALITIES

#### 3.6.1 Insufficient budget allocations

All relevant documents agree that the **current budget allocations are insufficient to reach the sector targets**. This concern is directly relevant for the JWESSP as most support will be provided on-budget and might not necessarily have the intended impact, due to fungibility effects, if the budget ceiling is set too low.

The **SIP** describes the situation as follows: *The present level of funding to the water sector is low compared to the financial requirements to reach the sector targets. ... In summary, the coverage in larger urban areas would not increase and coverage only increase slightly from 40% to 50% in small towns; **coverage in rural areas would decrease** from the present more than 60% to between 40% and 50% and there would practically be no funding to improve the access to water for productive uses.*

The **JWSSPS Mid-term Review Report** (February 2010) notes that *“there is a decrease in GoU funding both in percentage and in real terms for all components except Water for Production, which now is a priority of GoU.”*

The **World Bank’s Country Water Assistance Strategy for Uganda** (May 2011) states that: *There is a substantial – and growing – gap between the limited financial resources and the significant investment needs in water resources management and service delivery improvements. Despite the acknowledged importance of Uganda’s water sector, the percent of GoU national budget allocated to the sector has been continually decreasing, from 4.9% in fiscal year 2004/5 to 2.2% in fiscal year 2009/10.*

This trend seems to continue, as indicated by the figure below which is taken from the Sector Performance Report 2010.

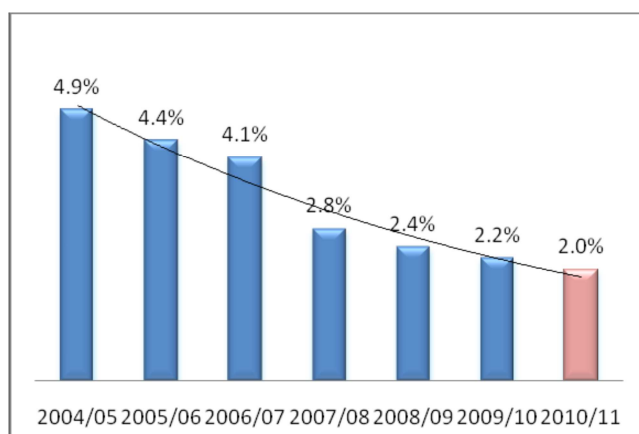


Figure 1: Water and Sanitation Sub-sector Budget Share (%)

<sup>18</sup>In the example given the drastic reduction of per capita costs can be explained by the fact that during the last two years mainly small rural RGC schemes were implemented; typically these have lower per capita investment costs than the larger »small towns«.



Based on the same figures the recent **Functional Review of the MWE** (May 2011) comes to the following conclusions: *"This reflects less prioritization of the sub-sector over the period (2004/05 to 2009/10) despite the fact that there is concern that funding levels are insufficient to meet the national MDG and NDP targets. Further, it was noted that the development partners' support to the sub-sector provided through earmarked budget support has not always translated into additional funds for the sub-sector. This is a result of the imposed ceiling."*

Referring to the Joint Financing Agreement (JFA) of JWSSPS a recent **Fiduciary Risk Assessment initiated by KfW**<sup>19</sup> expresses concern about low GoU budget allocations as follows: *The JFA contains indicative contributions of the different DPs. For the GOU contribution, the JFA refers to the national budget and the Medium Term Expenditure Framework (MTEF). However, the GOU has committed itself (JFA, Art 2iv) to "ensure that GOU funding to the Water and Sanitation sub-sector through the Government budget allocations under the MTEF is progressively increased to ensure the attainment of the JBSF targets." According to the amendment, the DPs may consider commencing a dialogue concerning their own reductions in contributions, if the GOU should decrease its contributions to the sub-sector.... Following the signature of the JFA, the GOU has decreased the allocation to the Water Supply and Sanitation sub-sector as share of the national budget.*

During the last ten years budget allocations for the water and sanitation sector have stagnated nominally, i.e. expressed in Uganda Shillings. Due to inflation and devaluation this implies an effective budget cut if expressed in USD or EUR.

### **3.6.2 Mix of financing modalities for the JWESSP**

The main financing modalities for JWESSP (as for the present JWSSPS) will be Sector Budget Support (SBS) and basket funding through the Joint Partnership Fund (JPF).

As stated earlier, there is a **clear sector preference and high demand for JPF funding**, not only as a funding modality for short terms tasks like capacity building and as a transitional solution, but as a core funding modality of the sector for an extended period (of unknown duration) and for a wide range of purposes, including support to sub-sectors that do not receive enough attention from outside the sector.

On the other hand, **SBS is not being questioned** – neither by MWE nor by DPs – as the right modality **for channelling funds to local governments**. There is a national framework for the management of this type of conditional grants.

Independently from the financing channel to be used – Joint Partnership Fund (JPF) or Sector Budget Support (SBS) – most of the JWESSP funding will be on-budget and hence be subject to the **budget ceiling** set for the Water and Sanitation sub-sector. The budget ceiling, set by the Ministry of Finance, Planning and Economic Development (MoFPED), reflects macroeconomic constraints, political priorities as well as MoFPED's assessment of the sector's absorptive capacity.

Due to this ceiling additional "sector" budget support is not necessarily translated into additional funds for the water and sanitation sub-sector. Sector earmarking is thus notional as additional allocations will not by itself raise the sector ceiling. This fungibility effect seems to be more relevant for SBS than for JPF funding as under the JPF the sector has more control of budget allocations and limited additionality seems to be possible.

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<sup>19</sup>Fiduciary Risk Assessment and Recommendations to Contain Risks with Regard to the German Financial Contribution to the JWSSPS / JPF for WSDF North and WSDF East (March 2011); Volvendo Consulting for KfW

**The discussion of sector budget ceiling, its implications and the need for adjustment to accommodate JWESSP financing should become part of the JWESSP preparation process.**

Further discussion of the pros and cons of the SBS and JPF modalities will follow below.

In addition to SBS and JPF funding, both MWE and DPs consider the two **smaller complementary financing modalities**, as they exist under JWSSPS, as useful. **TA in kind** allows for effective and efficient TA recruitment. There have been recent attempts to use the government procurement system (TA for WRM and recruitment of a long-term consultant for O&M) that demonstrated the existing challenges. The DP managed budget line for **Programme Management** is also seen as useful to fund specific sector studies and interventions such as the preparation of subsequent programmes and support to the Lead Donor.

**DPs' preferences and constraints** are not yet known for all the interested DPs. Danida would essentially maintain the JWSSPS mix of modalities while Austria has recently (in 2010) started to provide SBS and will decide on its future modality mix based on the experience made until 2012. Germany provides support through a mix of modalities (including general budget support, JPF, TA and project support) but will channel significant funds through the JPF.

The World Bank is interested in harmonising its support with the JWESSP but will not be able to use the JPF directly due to its international regulations. A parallel fund that would be based on the JPF model is being considered.

### **3.6.3 JPF funding versus SBS**

The stakeholder consultations conducted for this report indicate a very clear preference of the sector stakeholders, in particular MWE, for JPF funding (see section 2.2). **JPF rather than SBS is seen as true sector funding**, i.e. a reliable channel that is aligned to government systems but of which the sector has full control. As one of the key informants formulated, *“earmarked SBS does not exist, as it is not dedicated to the Sector in the actual sense.”*

**JPF** funding is kept separately from GoU funds but is under the control of the sector institutions (MWE, WESWG).

Among the features of JPF that are particularly appreciated are predictability, timeliness of disbursements, clarity and flexibility of operation modalities, and a low level of bureaucracy. The sector is free to allocate funds to activities it considers important for sector development, including studies, capacity building or research/pilot projects. Those sectors that receive less public or government attention, such as water resources management, are particularly keen to preserve JPF as their reliable source of funding.

The only critical remark from MWE was that more flexibility should be given for the use of JPF funds within the sector. Earmarking within the JPF and in particular within the sub-programmes (e.g. to target specific WSDFs) should be discouraged. However, earmarking for sub-sectors should be possible in order to allow DPs to target their funding.

The ENR sub-sectors also agreed that JPF would be their preferred financing modality.

**SBS** through the Consolidated Fund is by definition fully integrated into national budgeting and PFM systems. As sector funds are not ring-fenced or earmarked the difference to general budget support is limited to sector specific monitoring and assessment mechanisms within the Joint Budget Support Framework (see section 3.6.4 below). Disbursement may be subject to conditionalities but this is difficult to implement.

In the past, financing of activities through the Consolidated Fund has been affected by budget cuts, delays or incomplete releases, factors which jeopardise planning and budget

execution and decrease sector efficiency. Sometimes changes are being made to individual budget lines (vote functions) without consultation/involvement of MWE and the WESWG.

The JWSSPS Mid-term Review characterises the **different policy emphasis** of SBS and JPF as follows: “SBS has specific concerns with macro-level PFM reforms at the central policy level, whereas the JPF is more concerned with sector-level reforms and coverage targets.” In fact, financing through SBS combines both challenges, those encountered at the PFM level and at the sector implementation level. As service delivery and sector targets (including MDG and NDP targets) cannot wait until all the issues related to PFM reform are solved it is sensible to adopt a pragmatic approach using a modality mix.

Another key challenge for a rapid transition from JPF funding to SBS is the fact that **financial delivery mechanisms to the implementation level are still poorly developed**. The majority of sub-sectors are in different phases of institutional development, with deconcentrated structures created but still awaiting institutional consolidation. In some cases dedicated budget lines have been created but in general the financing modalities and sources of funding of recurrent expenditures of these institutions and their activities are not yet well established.

Therefore, the JWSSPS mid-term review concludes that: “All the implementation and funding modalities set out in the JFA are still relevant to the Programme and JPF should be retained until the intermediate level institutions (i.e. TSU, WSDF, WMZ) are recognised and adopted by government as formal budget entities. Development Partners and the MWE should assess further the strengths and weaknesses of the SBS modality.”

On the other hand, maintaining the JPF modality indefinitely, for the sake of convenience, bears the risk that the development of permanent, sustainable national channels is neglected. Certain activities may also be perceived as an external undertaking which is not firmly rooted in the country’s own systems. This is the case in particular for WRM and ENR sub-sectors, for which there is less GoU ownership than for, say, WfP. It is therefore essential to aim at developing regular, sustainable budgeting and disbursement channels, in particular to cover the recurrent costs of all sub-sectors.

### **3.6.4 Joint Budget Support Framework / Joint Assessment Framework**

The DPs and GoU agreed on the establishment of a Joint Budget Support Framework (JBSF) to be used to inform DPs on their decisions regarding disbursement levels for (sector) budget support. The Water and Sanitation Sub-Sector has been selected, alongside with four other sectors, to be part of this framework.

A core part of the JBSF is the **Joint Assessment Framework (JAF)**, which sets out the pre-conditions and targets against which performance in the sector is being assessed to inform budget support decisions. The JAF itself does not directly include budget support disbursement decision rules or triggers, which are defined individually by the participating DPs. JAF findings are presented and discussed at public workshops where civil society and the media are invited. JAF sector performance assessments are being carried out annually since 2009.

The JAF consists of four sections. The first two sections address (1) pre-conditions and (2) cross-sectoral issues such as budget allocations, credibility of the budget (release performance, timeliness of releases, alignment with workplans, etc.), reporting on the budget, public financial management, procurement practices, and action on corruption.

Section 3 of the JAF concerns sector specific issues. The indicators used for the WSS sub-sector are a sub-set of the sector’s Golden Indicators: They include 5 “Headline sector

results”, which are based on Golden Indicators 1 (access, rural and urban), 4 (sanitation), 6 (water for production storage capacity) and 11 (water abstraction/discharge permit compliance). The 5 other JAF “Performance indicators” are identical with the Golden Indicators 2 (functionality), 3 (per capita investment costs), 4.2 (school sanitation) and 8 (handwashing).

Progress in the water and sanitation sector is rated very positively in the JAF appraisals as most targets and agreed actions were met. It should be noted however that water and sanitation targets are being set in a very ‘realistic’ manner. For instance, the proposed rural water supply targets were decreasing from 63% coverage (JAF 1) to 61% (JAF 3). This is justified as it reflects the budget available, which is not sufficient to compensate for population growth, but on the other hand if indicators are set so low that they can always be reached they lose relevance.

### **3.6.5 Conclusions and recommendations**

The JPF should be maintained as an aligned sector funding modality that is appreciated by all partners involved, in particular MWE. JPF should also be accessible to ENR sub-sectors.

It is likely that as a convenient, pooled but ring-fenced sector funding modality the JPF will **attract much-needed donors** to raise the level of sector funding. The difference between SBS and GBS is subtle, and this may be an obstacle for donors who are not willing or not able to provide budget support.

Through JPF DPs will be able to provide **targeted support to sub-sectors** they consider as important but that receive less government attention, such as environment, climate change, and water resources management.

SBS continues to be the **most appropriate modality to channel funding to local governments**.

The complementary TA and Programme Management budget lines also have their justification and should be present in the future JWESSP. Furthermore, direct support to UWASNET/NGOs should be included. These funding modalities will be off-budget but under the JWESSP.

The JWESSP should hence continue to have two main aid delivery mechanisms, SBS and JPF, plus three smaller complementary modalities to finance programme management support, technical assistance and support to NGOs.

Final transition from JPF to SBS should be dependent on the progress of reliable budget allocations and the budgetary establishment of deconcentrated sector structures, such as the WSDFs, not only as a budget line but with effective budget allocations and disbursements. It is not known yet after how many years this will be achieved.

Dialogue with GoU should aim to ensure that at least the **running costs** of the activities of all sub-sectors, including the less prioritised ones, are covered by **adequate GoU budget allocations**. This is especially applicable to DWRM.

## **3.7 FIDUCIARY RISKS AND GOOD GOVERNANCE**

### **3.7.1 Recent Fiduciary Risk Assessments**

A comprehensive **Fiduciary Risk Assessment (FRA)** of the Water and Sanitation Sector was conducted in **2007** during the JWSSPS preparation phase. It covered all critical areas including the budget cycle, linkages between policies, plans and budgeting, use of resources,

accountability for performance, procurement, internal control, auditing and monitoring & evaluation. The resulting exhaustive list of potential risks and issues was difficult to follow up.

The legal and regulatory framework for PFM was assessed as generally sound while fiduciary risks were mainly related to the enforcement of rules and regulations, contract management, capacities of the audit functions, inefficiencies in accounting and reporting, and the prevalence of corruption.

**Many of these fiduciary risks cannot be addressed by the sector on its own** but concern issues such as the budget process, budget execution, public administration, and the effectiveness of audit functions and procurement processes both at the central and local government level.

The FRA of 2007 also formulated specific recommendations for JWSSPS, such as putting in place clear mechanisms for following up the implementation of value for money recommendations; providing specific funds for JWSSPS internal audit and oversight functions, and developing a comprehensive anti-corruption strategy/policy for MWE.

Since the time of these recommendations action has been taken in various areas. The **JWSSPS Mid-term Review** found that *“to the extent where the sector has the required mandate, fiduciary risks have gradually reduced, and mitigating measures been put in place. The sector is willing to address the multitude of risks that are still present, as manifested in the updated good governance action plan 2009-2012.”*

The Ministry’s **Good Governance Working Group** (see next section, 3.7.2) has separated the issues that can be addressed by the MWE from those that have to be addressed at higher levels or in different Ministries. The MtR report commends the “self-critical character” of the sector, stating that *“although DPs were initially the driving force for anti-corruption measures within the sector it is well supported internally.”* *“Approximately 80% of the outputs described in the first anti-corruption action plan have gradually been achieved, and, generally progress is made in the field of good governance, although impact can only be measured over a longer period of time.”*

In **2010** a new **Fiduciary Risk Assessment for the Water Supply and Sanitation Sector** has been carried out, based on standard DFID methodology. Essentially it is based on a desk review of relevant documents, complemented by a “very limited” number of interviews and a visit to one district.

Again, many of the issues raised are not water and sanitation sector specific but related to general public financial management. This is the case, for instance, for the reported problems related to human resources management, such as lack of control on advance payments and payrolls. Follow up action on audit recommendations is often inadequate as *audit findings are repeated from year to year with little remedial action apparently being taken.*

The **highest financial impact** is attributed to the following fiduciary risks:

1. Procurement
2. Misallocation of funding at the district level –an estimated 8% of excess spending on administration beyond the conceded 5% (this is equivalent to a loss of 3.4 billion UGX per year on administration instead of water and sanitation service delivery).

*The proliferation of sub-national government (i.e. the number of districts) has increased the risk of poor financial management and the proportion of expenditure spent on administrative overhead. ... There are two impacts of this. First, a significant proportion of the DWSSCG is spent on set up and equipping new water offices; secondly, staff in new district is spread too thin and are at least initially frequently unable to comply with MWE planning, monitoring and reporting requirements. **There is clear evidence in the sector of a net transfer of budget allocation from service delivery to public administration.***

The report further quotes a Cost Variation Study of 2008 which found that funds for “implementation monitoring” are regularly abused by district officials (inflated fuel charges and allowances etc.).

Other substantial risks that are related to district capacities are:

1. Lack of predictability in transfers to sub-national governments, which are partly due to late reporting; as a result, *“many districts implement up to 40% of their annual work plan in the last quarter of the financial year.”*
2. Rising per capita investment cost of WATSAN projects (due to a number of factors, but partly attributable to corruption and misuse of public funds; this has been examined in more detail in the Cost Variation Study commissioned in 2008).
3. Poor Technical Quality (when services are provided for a very short time before facilities breakdown.)

In addition to the per capita investment cost (one of the Golden Indicators) and the existing JAF indicators the report proposes two additional key indicators for assessing risk and monitoring performance at the district level:

1. Reporting by Districts (Service delivery impaired by late transfer of funds to Districts; poor VFM due to badly planned spending): % of Districts with % of committed funds beyond financial year;
2. Use of DWSDCG (Increase in number of new districts resulting in insufficient spending on frontline services): % of grant spent on new facilities.

These indicators should be considered when deciding about the appropriateness to monitor specific JWESSP indicators (see section 3.5.3)

District level implementation weaknesses are largely confirmed by a recent **Value for Money Study of the District Water and Sanitation Conditional Grant** (AH Consulting for MWE, March 2011). The purpose of this VfM study was to assess the use of the DWSCG for the construction of water supply systems from the beginning to the end of the process. The study covered the use of DWSCGs on 12 districts for a period of 3 years.

Overall, the Study indicates that barely half of the DWSCG funds were used in compliance with the procurement regulations while 68% complied on technical aspects. The non-transparency of the bidding processes and widespread lack of documentation makes a Value for Money assessment difficult.

If was found that districts were essentially compliant with the planning requirements, as this is a prerequisite for accessing DWSCG funds. However, there are serious problems with the bidding process (average compliance with legal requirements: 35%) and evaluation process (average compliance: 50%). During construction, contractor certification by the Ministry and control checks before commissioning the facilities were often lacking. Issues such as water quality testing and catchment protection are often neglected. Other issues are delays of procurement processes and long payment processing periods. Several districts consistently spent less than the DWSCG grant received without satisfactory explanations.

The fiduciary risks associated to funding through the JPF and WSDFs have been recently the subject of a **Fiduciary Risk Assessment commissioned by KfW in 2011**<sup>20</sup>.

At the WSDF level the value for money and fiduciary risks are rated substantial while the risk of corruption is rated high. The “substantial” value for money risk is mainly a result of water authorities being “weak clients”, and of WSDF weaknesses at the planning level: The FRA criticises that future O&M costs are not part of the project evaluation criteria and that the

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Fiduciary Risk Assessment and Recommendations to Contain Risks with Regard to the German Financial Contribution to the JWSSPS / JPF for WSDF North and WSDF East; Volvendo Consulting for KfW, March 2011

planning process of single projects does not include a pre-feasibility stage with an assessment of different technical options, “so that there seems to be no informed choice of the most cost efficient solution with regard to pro-poor service provision”.

On the other hand the FRA recognises that “Uganda has set up an appropriate institutional environment to contain fiduciary risks (internal audit structures, PPDA, OAG)” although the coverage of procurement audits is still very limited. “So far, the percentage of high and medium risk procurement of MWE is unacceptable. The procurement still presents substantial fiduciary risk (especially on MWE level).”

As to the JPF, the report quotes OAG in stating that Financial Statements of JPF are satisfactory. “The specific observations present low risk of misuse of funds. Internal audit structures are good” although “the Consultant is not fully aware, whether the recommendations of the Internal Audit Service receive appropriate management actions.”

Finally, there is a lack of regular technical audits as these are not covered by the OAG audits.

The resulting key recommendations are to

- Review design standards and project selection criteria with regard to cost efficient service provision, and conduct ex-ante reviews of project designs.
- Foresee ex-post audits, including technical, management and value for money audits, for recently completed investments.
- Improve the follow up of JPF financial management with regard to value for money and fiduciary risks.

### **3.7.2 Good Governance Working Group and Action Plan**

In 2006 the water and sanitation sector established a permanent **Good Governance Working Group** (GGWG) with broad membership (GoU, DPs, CSOs, private sector), mandated to oversee the implementation of the first Good Governance Action Plan adopted in the same year. Later the current **Good Governance Action Plan** (GGAP) 2009 – 2012 has been prepared.

The GGAP includes activities aiming at 5 objectives which are:

1. Sector performance and governance oversight strengthened
2. Corporate governance of urban (large and small towns) water service providers enhanced
3. Rural water supply guidelines enforced
4. Procurement and contract management in the sector strengthened
5. Water sector held to account.

Key actions of the GGWG for the coming years include: Stronger enforcement of MWE sector guidelines; the introduction of independent regulation functions; strengthen board responsibilities and oversight functions of NWSC and private operators; improved outreach and transparency; action against corruption in procurement; and capacity building of local governments in partnership with accountability and anti-corruption authorities and civil society organisations.

Since 2010 a section on progress of the GGAP is included in the Sector Performance Report.

Among the achievements to date are procurement trainings and capacity building; imposing sanction on non performing districts (funds not released, political leadership informed about districts that have not complied with guidelines). The GGWG also initiated three studies, a

“Risk and Opportunity Mapping Study” (MWE, 2008), a “Baseline Integrity Survey” (2008) and the Value for Money study of the DWSCG quoted above (2010/11).

The “**Baseline Survey on Integrity** in the Uganda Water Supply and Sanitation Sector” (August 2009), was initiated by GGWG with support from WSP-Africa and the Water Integrity Network (WIN) Secretariat. The study assessed integrity based on a quantitative, representative survey among seven categories of respondents. One of the relevant results is that, according to contractors’ perception, about 10% of the sector’s funds are being lost to corrupt practices.

### 3.7.3 **Conclusions**

The various FRAs and Value for Money studies have clearly highlighted significant fiduciary risks, in particular at the decentralised (district) level. The majority of the risks are not sector specific and cannot be addressed by the sector alone.

In general the sector is reacting adequately by (a) putting in place a good governance working group and action plan, (b) providing capacity building to local governments, (c) not relying on local government capacities for major investments such as piped water schemes, and (d) maintaining a sector financing modality, the JPF, that is aligned to government systems but allows for a reduction of fiduciary risks.

It is recommended to

- maintain and further strengthen the efforts of GGWG to implement the GGAP;
- maintain external support to drive the good governance agenda, as recommended by the JWSSPS Mid-term Review;
- establish clear responsibilities and mechanisms for following up on recommendations of audits, FRA and VfM studies;
- strengthen the role of CSOs in monitoring decentralised procurement and implementation, as recommended in the FRA of 2010 (chapter 7 – safeguards); the feasibility of this recommendation needs to be verified;
- consider monitoring the additional governance indicators suggested by the FRA of 2010(see section 3.7.1).

## 3.8 **THE ROLE OF NON-GOVERNMENT SECTOR STAKEHOLDERS**

Non-government sector stakeholders, in particular NGOs and the private sector, play important roles in sector development and, hence, in the future JWESSP.

The comparative advantages of **NGOs** and the importance of an independent, non-government view are fully acknowledged by the sector. NGOs contribute a substantial part of RWSS investments, are represented at the annual Joint Sector Reviews and are organised in the Uganda Water and Sanitation NGO Network (UWASNET, over 170 members), which receives financial support from the sector (through the JPF).

Under the current JWSSPS Denmark has put aside funds to support direct funding to NGOs, channelled through UWASNET and NETWAS. Under the new JWESSP other DPs could contribute to a pool for NGO funding that will be managed outside of the government system. It is therefore envisaged to **include off-budget financing for NGOs/CBOs in the JWESSP design**. These funds should flow directly from the DPs/JPF to UWASNET and/or to sector NGOs/CBOs.

Among other functions **UWASNET** provides important monitoring and coordination services as otherwise it would be difficult to get an overview of sector NGO activities. The JWSSPS Mid-term Review states that *“UWASNET plays an essential role but it needs additional*



*funding to be able to execute its mandate. This funding should not compromise the advocacy role of the NGOs in their oversight of local government performance in the sector.* It therefore recommends setting up alternative funding mechanisms for UWASNET that are independent of MWE.

A study on “Modalities for Collaboration between Government of Uganda/ Development Partners and Water and Sanitation Sector NGOs” had been prepared in 2007 in the context of the preparation of JWSSPS. The key recommendations of this study are still relevant today:

- Improve NGO involvement in the sector dialogue and joint planning at the district level by making the District Water and Sanitation Coordination Committees fully functional in all districts.
- Revise the District Implementation Manual to encourage the engagement of NGOs through competitive bidding (alongside the private sector), engagement for tasks not normally undertaken by the private sector (e.g. community mobilisation and follow-on support) as well as co-funding arrangements.
- Involve NGOs in piloting new approaches, in cooperation with research institutions or with DWD; in this case a structured process of pilot implementation, evaluation, internalisation of learning, and follow up (i.e. scaling-up or closing down the pilot) should be implemented.
- Continue JPF core funding and programme funding support to UWASNET, but alongside an enhanced and strongly focused programme of organisational capacity-building.
- Continue capacity-building of NGOs, mainly by or through UWASNET
- Listen to the voice of NGOs by involving them in dialogues over policy and best practice.

The **private sector** plays a very important role in the water and environment sector, to be reflected in the design of the JWESSP.

The main roles of the private sector include: Private sector contractors and consultants undertaking design and construction works in water supply and sanitation; private hand pump mechanics and scheme attendants providing maintenance services; about 20 Private Operators managing piped water services in small towns and rural growth centres; as well as private forest owners with registered forests and processing of forest products in the forestry sub-sector. Private Operators are organised in the Association of Private Water Operators (APWO) which aims to professionalise its members, represent their interests at the sector level, provide support services (e.g. procurement of billing systems) and ensure knowledge exchange.

At present, PPP arrangements are essentially limited to delegated operation and maintenance contracts (management contracts) between Water Authorities and Private Operators. In the future, with increasing private sector capacities, this might change, with arrangements involving more private sector responsibilities and longer contract durations, as in the Output-based Approach (OBA) model where the private sector bids for construction and O&M for a longer contract duration.

The JWESSP shall aim to

- Create a conducive environment for further private sector development in the sector;
- Contribute to private sector capacity development through targeted programmes;
- Involve representatives of the private sector in sector reviews and decisions making.

### 3.9 IDENTIFICATION OF ISSUES WITHIN THE ENR SUB-SECTOR

#### 3.9.1 General status of the ENR sub-sector

Uganda generally has an appropriate legal and policy framework for environment and natural resources management (sources: <sup>21,22</sup>). The recent Country Environment Profile for Uganda prepared for the EU Delegation (2010) provides an up-to-date overview of the state of the environment and of the policy, legislative and institutional framework.

Key challenges are related to institutional capacity constraints (see below), underfunding, and to the challenge of law enforcement, in particular at the decentralised (district) level. As in water and sanitation, some of the environmental management responsibilities have been devolved to local governments, while decentralised capacity development could not keep pace with the responsibilities.

Where not stated otherwise, the facts provided in the remainder of this section are based on a recent study on Danida support to MWE that focuses on the ENR sub-sector (2010)<sup>23</sup>. *Text in italics* is quoted from this study.

*The institutions in charge of ENR at the centre and at district level have obtained **insufficient financial resources** from GoU for many years. In particular DEA is **underfunded and understaffed**. This has led to **low performance** of DEA and the ENR sub-sector. Within DEA skills and expertise lack in terms of how to plan, manage and coordinate activities, to develop programs and to advocate and liaise for ENR issues within MWE, at Development Partner and policy level.*

The **organisational capacity** of the ENR sub-sector, in particular of DEA is weak. *DEA, as well as DWRM and NEMA need specific medium term Technical Advisory Support and specific training to improve their performance.*

*The **funding situation of DEA** is not sustainable as GoU funding is minimal. Approximately 90% of funds for DEA are donor funds, which are concentrated on one project (FIEFOC<sup>24</sup>). Donor funded activities within DEA will phase out in the coming years. No mechanisms seem to be in place within GoU to replenish the emerging funding gap or even to increase funding of ENR. It is clear that DEA and in particular DESS have been totally underfunded and understaffed for years. At the district level, the only funds available for ENR activities are the Conditional Grant for Wetlands (around 790 million UGX per year)*

***Weak enforcement of laws, low political support to ENR, lack of sufficient funding and unclear roles of institutions** have resulted in poor performance of some institutions and relatively weak implementation with respect to ENR. A new Undertaking (agreed at JSR 2010) will refine the roles and responsibilities of the ENR institutions by the end of 2012. For the management and coordination of this process DEA urgently needs external support.*

*The **National Environmental Management Authority (NEMA)** and the **National Forestry Authority (NFA)** are two semi-autonomous agencies, which report to the Minister of MWE. However, NEMA (unlike NFA) does not sign a performance contract with MWE and there is little transparency and formal reporting on activities of NEMA towards MWE and DEA.*

The resulting **lack of managerial and writing skills, lack of funds but in DEA also inadequate standard working equipment** led to a situation where several institutions in the ENR sub-sector had difficulties to submit inputs to the Sector Performance Report (SPR) in

<sup>21</sup>Country Environment Profile for Uganda and Options for Integration of Climate Change in the EU-Uganda Development Cooperation (2010)

<sup>22</sup>NEMA (2005): Review of the existing poverty reduction policies, plans, programmes and projects for their adequacy in addressing environmental concerns; Sustainable Development Centre, Kampala

<sup>23</sup> Danida - Support to MWE (SKAT, Final Report, December 2010)

<sup>24</sup> FIEFOC: Farm Income Enhancement and Forest Conservation project, African Development Fund (ADF) / Nordic Development Fund (NDF)

*time and according to standards and to prepare the reporting to the JSR in time. However, the process and steps towards an improved reporting of MWE/DEA have to be embedded in a much more comprehensive analysis and understanding of all relevant issues within the ENR sub-sector.*

One of the Undertakings agreed at the Joint Sector Review 2009 was to prepare and approve a performance measurement framework for the ENR sub-sector. A Draft **Performance Measurement Framework (PMF)** with 10 key indicators has been developed under the lead of the Planning Department of MWE. *The PMF should be developed further including links to review of the Sector Investment Plan for ENR. The development and implementation of the PMF is will require, specific methodological and technical knowhow, The Department of Environmental Support Services (DESS) as the institution in charge for strategic planning and monitoring within DEA does not have sufficient resources and capacity to take over this task.*

**The linkages between the Water and Sanitation and ENR sub-sectors are weak.** Strengthening these linkages would be crucial in particular for effective water resources management and catchment/source protection. Furthermore, there is strong need for better coordination and exchange between the MWE Directorates and District Local Governments.

The ENR sub-sector also has a **communication and advocacy problem**: *Only little awareness and appreciation of ENR issues and of ecosystem services exists within the Water and Sanitation sub-sector and MWE in particular. ENR institutions have difficulties to document the impact of their activities and to advocate for attention to ENR issues. There is much need for better documentation of benefits of ecosystem services as basis for advocacy.*

### **3.9.2 Recommendations for supporting the ENR sub-sector**

As the previous diagnostic section, the recommendations below are largely based on the findings and recommendations on the Danida study on support to MWE of 2010. Direct quotes from this source are printed in *italic*. To operationalise the recommendations the study also provides detailed tables of recommended tasks at the strategic, planning & coordination and operational level. The key tasks from these tables are incorporated in the list of recommendations below.

- *In order to better anchor ENR issues within MWE and to improve coordination, some form of **environmental liaison** should be established within MWE.*
- *For its institutional development, DEA urgently needs medium term **Technical Advisory Support and Training** in order to build up competencies in the areas of Project Management, Strategic Planning, Coordination, Monitoring & Evaluation, Team Building and Reporting. DEA urgently needs TA as well as specific training in particular in the area of project management, reporting, documentation of good practice and in advocacy for ENR. DWRM could also benefit from some of these capacity building measures.*
- ***Development Partners should develop a strategy** for how to support the ENR sub-sector in the medium term.*
- *Specific **funding mechanisms** for support of ENR institutions should be established and put into operation. The study recommends the establishment of a **basket fund** based on the JPF experience; this could be unnecessary if ENR activities could be directly financed through the JPF as part of the future JWESSP. In addition the study recommends evaluating additional mechanisms of fund raising, such as the polluter-pays principle, *compensation for ecosystem services* and the *introduction of specific budget lines for ENR related activities in infrastructure projects.**

- The development of **Performance Measurement Framework (PMF)** for the sub-sector is currently underway (Undertaking agreed at the JSR 2009) but the *Department of Environmental Support Services (DESS) as the institution in charge for strategic planning and monitoring within DEA does not have sufficient resources and capacity to take over this task*. Technical and managerial support and capacity building including recruitment of sufficient skilled staff is needed for DESS.
- The **staffing and working equipment** of DEA need to be enhanced, based on a thorough needs assessment.
- External support as well as high level political support are needed for the successful implementation of the new Undertaking to **define the roles and responsibilities** of the ENR institutions (JSR 2010).
- Coordination with/between Districts should be improved: DEA should initiate and lead inter-district meetings of District Environment Officers (DEOs).
- Reporting processes, formats and content (including district reporting) as well as record keeping (of concerns and measures taken) need to be improved.
- An *ENR Operational Manual (analogous to the existing District Implementation Manual in the Water and Sanitation sub-sector)* should be elaborated.
- *Catchment Management Zones should be developed and established as a powerful mechanism for coordination of cross-sectoral activities and to strengthen linkages between Water and Sanitation and the ENR sub-sectors.*

### 3.9.3 Wetlands

The Wetlands sub-sector has a long history of external support, starting with the National Wetlands Conservation and Management Programme launched in 1989 (with support from IUCN, the International Union for the Conservation of Nature).

As a result, there is range of relevant studies, policies and action plans on which the further development and support can build. There is a National Policy for the Conservation and Management of Wetland Resources of 1995, incorporated in the National Environmental Statute of the same year. National Environment Regulations for Wetlands are available since 2000. The Wetland Bill was enacted in 2010, which is an indication of growing political support for wetlands conservation and sustainable management. There is also guidance for the management of Ramsar Sites in Uganda (2008, elaborated with support from IUCN and UNDP). Recently, in the context of NDP preparation, a wetlands sub-sector study has been prepared by NEMA (with support from Belgium, UNEP and UNDP) which is titled: *Enhancing Wetlands' Contribution to Growth, Employment and Prosperity* (2009). Recently, a National Wetland Information System (NWIS) has been developed.

The Wetland Strategic Plan 2001-2010 sets out 8 Strategic Objectives and related Key Actions. A successor Strategic Plan is currently under preparation. However, funding of the Wetland Sector Strategic Plan by Belgium ended in 2009. Currently there is no donor providing specific support for the wetland sub-sector while GoU budget allocations are insufficient.

The key challenge today is implementation on the ground. Since the implementation of decentralisation (Local Governments Act, 1997) wetlands management is devolved to the district level. Districts have appointed Wetland (& Environment) Officers and develop District Wetland Action Plans. However, district level capacities are low. Of the four regional TSUs for wetland management only two are operational, and the number of districts is growing. Districts receive a Natural Resources Grant for wetland management activities but do not regularly report to MWE (while funds are released despite this).

Another issue that requires clarification is the division of roles and responsibilities and modalities of cooperation between the Wetlands Management Department, NEMA, DWRM and the Districts.

**Conclusions:** The wetlands sub-sector has developed, with international support, a sound policy and regulatory framework as well as a good knowledge base. Through the implementation of the Wetland Sector Strategic Plan 2001-2010 there is recent implementation experience that should be evaluated. Today the sub-sector lacks substantial support and does not have the resources for effective decentralised implementation and monitoring. Support of the wetlands sub-sector through JWESSP seems highly appropriate.

#### **3.9.4 Forestry**

Unlike the Wetlands sub-sector the Forestry sub-sector has a semi-autonomous implementation agency, the National Forestry Authority (NFA). The NFA is mainly in charge of managing forests owned by the central government (CFR – Central Forest Reserves). The Forest Sector Support Department (FSSD) of MWE is in charge of overall sub-sector oversight, policy formulation, coordination, monitoring, regulation and technical support services to local governments. Other stakeholders involved are the local governments (District Forestry Services) for local forest reserves, private forest owners and the Uganda Wildlife Authority for National Parks and Wildlife Reserves.

The National Forestry and Tree Planting Act (2003) is the main legislative basis while the National Forest Plan (recently revised, July 2010), provides the planning framework for the sub-sector.

The largest sub-sector project is the Farm Income Enhancement and Forest Conservation Project (FIEFOC), which includes watershed management and reforestation.

However, according to the Danida study on support to MWE (2010): *“As one of the findings from the Review of the Forest Sector Reform (Report for FSSD, by Sean White, LTS Consultants, October 2010) it became clear that without sufficient funding of central institutions, FSSD and other departments within DEA will not be able to full fill their role as overseeing body.”* The Sector Performance Report 2010 states that: *“Although there is an improved performance of FIEFOC, there was an under performance of activities supported under the Forestry Support Services Department (MWE) due to the limited funding available and capacity constraints.”*

Sustainable forest management is sensitive to governance issues (quote from the Concept Paper mentioned below): *“For example, low political support to deal with encroachment has made forest management in CFRs difficult. This is spilling over to forests on private land because government forests, which should have been the beacon of forest management and conservation, are being encroached with the overt support of politicians.”* *“Trees do not vote.”*

Currently, a “Concept Paper on Management and Conservation of Forests Outside Protect Areas” is under preparation.

The paper proposes a 5-year programme focusing on forests outside Protected Areas (PAs). Its purpose is “to restore degraded forest ecosystems outside government PAs, and ensure equitable increased benefits from forestry to society.” The proposed activities include institutional strengthening (in particular FSSD), building of a unit for technical backstopping to local governments within FSSD), strengthening forest governance, developing an M&E and a forestry information system, establishing financing arrangements, and increasing forest cover by tree planting. The Programme would be largely implemented by FSSD and DFOs staff in cooperation with other stakeholders including CSOs. The responsibility for implementation would be assumed by a Coordinating Unit supported by an international Technical Advisor.

**Conclusions:** The Forest Sector Support Department (FSSD) urgently needs support, as other departments of DEA. On the other hand, support to the NFA with its specific, partly commercial mandate that includes timber production, can probably be better addressed by dedicated support programmes / projects. It should be considered to include capacity development and institutional support to FSSD in the JWESSP, with a focus on developing its capacities to ensure regulation and provide advisory services to other sub-sector actors (NFA, Districts, private sector). Whether this support should also include physical interventions, such as tree planting, as suggested in the abovementioned Concept Paper, is a matter for further analysis and discussion.

### **3.9.5 Climate Change and Meteorology:**

The Government of Uganda has established a Climate Change Unit (CCU) under the Ministry of Water and Environment. The Unit, which consists of four staff, reports directly to the Permanent Secretary (PS) of MWE and is mainly being funded by Denmark. Financing after 2012 is not yet secured but will essentially depend on DP funding commitments.

The main mandates of the CCU are to mainstream climate change into development processes in Uganda, to formulate national climate change policies, and to provide guidance to the government regarding its international commitments and the Clean Development Mechanism (based on the Kyoto Protocol).

According to the recent ACCRA Country Level Literature Review<sup>25</sup>, Uganda does not have a policy on climate change adaptation and *it is evident that CCU is still at infancy stage and has limited achievements*. Implementation of the National Adaptation Programme of Action (NAPA, 2007, funded by the Global Environment Facility) had hardly started in 2010. *It should be noted that NAPA's activity descriptions do not indicate specific targeted sites in the country and a clear mechanism of funding to implement the NAPA. This calls for the Government to revisit the NAPA and develop a workable implementation plan with fund commitments. NAPA seems to have been driven by external demands and has not yet been well integrated into national planning frameworks.* The NAPA includes nine priority projects budgeted at US\$ 39.8 million, with a wide range of activities including tree growing, land degradation management, water and sanitation (in disaster prone areas), water for production, drought adaptation (cattle corridor), disease control, as well as strengthening of meteorological services and the integration of climate change in development planning. Most of these activities are under the leadership of the MWE.

**Conclusions:** The future support strategy for CCU should be based on an analytical review of the tasks and the available versus needed capacities. This will be conducted in the context of the proposed ENR study (see section 6.1), taking the results of the recent mid-term review into account.

Two aspects of climate change should be distinguished as they require quite different capacities and possibly a different institutional setup:

- High-level advocacy for climate change, policy mainstreaming and Uganda's representation and interests at the international level: Due to its cross-sector and political nature this needs a small unit, either under the MWE (as now) or with an inter-ministerial status. Few senior staff members are needed for these tasks, who should have access to international consultancy resources to accomplish these tasks.
- Implementation of water and environment related adaptation projects, including those NAPA projects that are within the mandate MWE. The most appropriate structure for this has yet to be identified.

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<sup>25</sup>Africa Climate Change Resilience Alliance (ACCRA) – Uganda. Country Level Literature Review. Margaret Barihaihi, March 2010

It is recommended to provide support for the definition of the necessary institutional framework and related capacity development. Direct support to the high-level climate change agenda seems outside the scope of the JWESSP, and there are international mechanisms designed for this type of support. Financing of the implementation of adaptation measures should only be considered once the project implementation mechanisms are well defined. The implementation experience of NAPA will provide lessons learned.

On the other hand, JWESSP should support MWE to screen its sub-sectoral programmes for robustness with respect to climate change and disaster preparedness. This will in particular concern DWRM which could also become the implementation unit, through its Water Management Zones (WMZs), for certain types of adaptation projects.

**Meteorological services** should be provided by a dedicated agency that collects and processes data and disseminates the resulting products (forecasts etc,) to a wide range of users. There are detailed international standards and support mechanisms (e.g. through WMO) for these tasks. It is recommended to use these international channels for setting up a targeted support project rather than incorporating meteorological services into JWESSP.

### 3.10 CAPACITY DEVELOPMENT

#### 3.10.1 Current situation

The **Sector Programme Support (SPS)** component is a cross-cutting JWSSPS component that supports capacity building and sector reforms. The main funding modality is the JPF (on budget) although a part of the support, in particular long-term Technical Assistance (TA), is provided in kind (and off-budget). Typically SPS is used for activities of the MWE Training and Human Resource Development Section, TA, short-term consultancies, (research) studies and strategy development. SPS affairs are currently being handled by the Water Sector Liaison Unit.

The consultation showed that the JWSSPS experience in terms of capacity building and TA is largely seen as positive by the sector stakeholders. It is felt that the setting and the way the SPS is being managed should remain the same in the future.

MWE representatives think that **long-term TA** continues to be needed in the coming years. The total number of long-term TA will have to be increased to support DEA. The fact that different DPs are providing TA with different thematic foci and using their own recruitment procedures is seen as appropriate as long as the Terms of Reference are agreed and coordinated at the sector level. As mentioned earlier, recent attempts to use GoU procedures were disappointing due to long procurement procedures and taxation problems.

**Short-term** assignments should be linked to specific outputs needed / issues to be clarified by specialists. Several MWE respondents expressed that there should be a pool of short-term experts that is accessible with a minimum of procurement effort, based on a framework contract.

There is **increased demand for capacity building** due to the recent or planned rollout of **deconcentrated MWE structures** (WSDFs, Umbrella Organisations, Water Management Zones).

At the **Local Government level** the creation of new districts as well as the high turnover rate of district staff undermine the efforts for capacity development - in both the old and new districts ("you train them and then they leave the service, become District Engineer for instance, thus leave the Sector.") The "Report on Staff Training and Capacity Needs Assessment Exercise for Staff of the Water and Environment Sector in the Local

Governments<sup>26</sup> captures and analyses the existing capacity, immediate and mid-term needs. The report's major recommendations are:

- To prepare a comprehensive training and human resource development policy/strategy for the water and environment sector in general;
- To agree upon and communicate the criteria for selection of staff from the local governments for human resource development and training activities;
- To conduct a comprehensive review of the structures of the environment sector at the local government levels in order to match the much needed human resources that are required to deliver such services to the beneficiary communities;
- To explore avenues of channelling more funds to the environment sector, if the local government personnel in that sector are to perform their duties effectively.

TSUs continue to be needed, not only for capacity development but possibly also as a permanent backup support structure (see recommendations, next section).

The main challenge as regards **capacity development for the Centre** is seen in the need for good planning and coordination of CD activities in order to avoid duplication and unnecessary training. Training seems to be overall successful but needs more monitoring and increased funding. There should be clear criteria for the selection of people for training. On-the-job technical training is more important than consultants providing outputs only.

There are **unequal existing capacities** across Directorates, Departments and units. Sector capacity building needs are not known for all levels (NGOs, LGs), so that strategic planning is not possible. It is therefore important to conduct an up-to-date **training needs assessment**. However, this needs to be embedded in a broader, strategic capacity development framework in order to ensure that all the related factors – such as remuneration, job satisfaction / work environment, availability of resources, etc. – are considered.

The **impact of the training programme** on the efficiency and performance of the sector should be evaluated. Existing training institutions and their capacities should be checked. Trainings should be well documented and reproducible (“we should take stock of what we have attained”).

### 3.10.2 Conclusions for the way forward

**Integrated approach to meet the challenges in CD:** The main form of capacity development has been through TA and the provision of trainings. Yet capacity development is a factor of skilled, motivated staff, organisational capacity, including resources, and the laws and policies that contribute to the water sector environment. The new JWESSP should hence adopt an integrated and holistic approach to CD, with its aspects of institutional<sup>27</sup> and organisational<sup>28</sup> CD. The programme should also include (i) the development and implementation of standardised training programmes, and (ii) certification and accreditation training programmes.

**Extend capacity building efforts to ENR:** In light of the fact that the ENR sub-sector, probably including climate change, is to be included in the next phase and these particular

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<sup>26</sup> MWE Training and Human Resource Development Section (2010) Report on Staff Training and Capacity Needs Assessment Exercise for Staff of the Water and Environment Sector in the Local Governments.

<sup>27</sup> Institutional capacity development: Process by which the mandates or rules of the game become clear to all stakeholders; it establishes who does what, when and according to which standards.

<sup>28</sup> Process by which individuals and water sector organisations enhance and organise their internal systems and knowledge over time. This will be reflected in their abilities, individually and collectively, to perform their functions, solve problems, to set and achieve goals and by that to achieve sustainable water supply and sanitation services for the Ugandan population.



areas are considered to be weak, the capacity building component needs to be strengthened compared to the present JWSSPS. This includes long-term TA both at the strategic level (reform of the institutional framework, mainstreaming of climate change) and at the technical level (capacity development at the Department level). Other capacity building initiatives (e.g. EC support to the Climate Change Unit) should be taken into account.

**Build decentralised capacities for the ENR sub-sector at LG level:** The present working environment in the ENR sub-sector at local government level is not conducive, and there are no effective deconcentrated support structures such as the TSUs<sup>29</sup>. The new JWESSP should therefore develop adequate mechanisms to build adequate capacities at the decentralised level (local government and support through regional structures). This includes both (i) capacity for development, meaning the availability of resources and efficiency, and (ii) capacity development as a process of learning that brings about changes at the individual and organisational level.<sup>30</sup>

**In the WSS sub-sector, shift emphasis of long-term TA from the Centre to the regional level:** The main challenges of the sub-sector are now at the decentralised implementation level, where the system of deconcentrated sector structures has to be built and consolidated. At the centre, it should be ensured that long term TAs do not become “permanent staff” and take over core activities. Long-term TA for the WfP sub-sector is considered as unnecessary by the sub-sector.

**Provide a pool of short-term experts that is available for all sub-sectors:** There should be a mix of long-term advisers and a pool of short-term experts. The latter should be available through framework contracts for technical support, so that time and effort for procurement is minimised.

**Consider the establishment of TSUs as a permanent backup support structure:** Due to the slow progress of capacity development at the local government level the continuing need for TSUs, which had originally been conceived as temporary units, is beyond question; their tasks have even increased with the growing number of districts. It seems necessary to review the TSU concept as they might become permanent backup support units because adequate capacity building at the district level to make them dispensable seems to be unrealistic. In this case, TSUs should be anchored in the GoU structure and should not be based on contract staff.

**Rethink institutional setting for handling the future SPS component:** The SPS component under the JWSSPS is handled by the Water Liaison Division. The fact that the future SPS will also embrace DEA and possibly the CCU leads to the question where the responsibility for this component could be located.

**Assess the effectiveness of the present JWSSPS training programme:** The results and impact of the past and ongoing CD measures as well as the quality of training programmes should be evaluated as a basis for an enhanced CD programme in the future. This could be combined with a capacity level / training needs assessment (see below).

**Clarify options for Capacity Development (CD):** There are different views regarding the need for a **specific study to clarify the options for effective CD support**. There is no doubt that the detailed design of the future CD programme needs a proper study, based on (i) a review of the quality, effectiveness and impact of the past and current CD measures; and (ii) a capacity level / training needs assessment that covers all sub-sectors and target groups (centre, local governments, regional support structures, non-government sector stakeholders). This detailed assessment could be conducted during the preparation phase of JWESSP. It may not be crucial to have it ready to inform the formulation of the Concept

<sup>29</sup> With the exception of the Wetlands Regional TSUs, of which only two are operational.

<sup>30</sup> The World Bank (2009): The Capacity Development Results Framework – A Strategic and Results-Oriented Approach to Learning for Capacity Development.

Paper as the fundamental modalities of CD / the SPS component are not being questioned by any of the partners. There is significant experience and know-how in the sector and fundamental facts, such as the need for long-term TA for the ENR sub-sector and the general level of capacities at the local government levels, are known. The sector (PPC, WESWG) is in a good position to decide about the right modality mix and the appropriate number of TAs. This could be achieved through a well-facilitated **workshop** that brings together all relevant stakeholders but also resource persons ("external view"). The agenda would include:

- sharing and analysing the existing know-how and past CD experience
- developing a common understanding of the needed skill mix
- deriving conclusions for both sub-sectors and for the different levels (Centre, deconcentrated structures, local governments, other stakeholders)
- discussing the views, intentions and possibilities of the DPs.

The outcome of this workshop would be the basis for the Concept Paper and for the next steps of JWESSP preparation. The detailed design of the CD programme could then be a slower, participatory process rather than a quick overview assessment produced by a consultant. For the ENR and WRM sub-sectors, this is closely related to a review of the institutional responsibilities and structures. It seems to be unrealistic to clarify all this through a short-term study.

#### **4. PARTNERS' EXPECTATIONS AND INTENTIONS**

This section is essentially based on the outcome of the preparatory consultations of the key JWESSP partners – MWE and DPs – which included participation in meetings (PPC meeting, DP retreat), semi-structured interviews (MWE senior management and heads of departments/units) and e-mail enquiry (DPs).

##### **4.1 MWE**

The MWE resource persons involved in the ongoing JWSSPS – MWE (PS, cross-cutting units), DWD and DWRM – were asked the following questions:

**1 - What should be different in the new JWESPS? Think of capacity development activities, financing modalities, implementation procedures!**

**2 - What are your thematic priority issues for 2013-2018 that you would like to emphasize in the new JWESPS?**

##### **4.1.1 MWE sector / cross-cutting level**

The respondents in charge of the sector as a whole or with cross-cutting responsibilities (liaison and policy units) stressed that **the two sub-sectors need to work closely together, and ENR needs to build on the lessons learnt from WS** (PS). The future management structures need to take the merger of the sub-sectors into account. *As we are deconcentrating, WS and ENR should integrate* (PS). *Resource flows across the two sub-sectors should be made possible. I want to see real synergies among the sub-sectors* (PS). *There should be a balanced division of labour among DPs, with more DP engagement needed for ENR* (PS).

Climate Change should be cross-cutting and should be supported integrally. Meteorology should be transformed into an Authority (PS).

The **policy, planning, coordination and capacity building** issues for both sub-sectors should be harmonised. *“We need to have two liaison units for both sub-sectors ... at the PS level rather than at the two directorates' level. So PPD and the two liaison units at the PS level, rather than only PPD as it is now”* (Policy and Planning Division, PPD).

The programme should be **fully aligned to MWE structures** (Director, DWD).

There should be a general **increase in funding** of the Programme, to attain the sector targets and compensate for population growth, but also to take the larger scope of the programme into account (wetland management, forestry, adaptation to climate change). *Also GoU needs to contribute more as a top priority* (PS).

**Good governance** should stand out very clearly in the new Programme, to be responsive to the needs of our clients, quality service, transparent with zero tolerance for corruption and accountable at all levels (PS).

**Funding modalities and financial management:** All stakeholders agree that the JPF as a key sector funding modality should continue. The existing financial management systems - Navision for JPF and IFMS for GoU – should be harmonised (PS and Liaison Division).

**Reporting** should be further harmonised, so that no more separate reports are needed for JPF and GoU. In this case the format and type of the harmonised reports will have to be agreed to fulfil the requirements of all interested parties, in particular to facilitate monitoring from the DP side.

**Procurement** needs substantial strengthening and capacity building to become more effective.

In terms of **thematic priorities**, access to clean and safe water remains a top priority but sustainable management of the environment and the water resources needs more attention. The development of multi-purpose water schemes has to be stepped up especially in water-stressed areas (Director, DWD).

#### **4.1.2 DWD and DWRM (already participating in the current JWSSPS)**

In the future programme there should be **more emphasis on the sustainability of services and O&M**; thus *the financing of the UOs needs to be addressed; they need more support from us as their members cannot provide sufficient income* (Director, DWD).

**Deconcentrated support and financing mechanisms** need to be strengthened (RWSS: TSUs, UWSS: WSDFs and UOs...). The programme should help streamlining these instruments, and clarifying their mandates.

**RWSS** needs higher funding rates to achieve its targets, and to allow for more attention to the water-stressed areas, to tackle equity issues. TSUs should be embedded in MWE structures (rather than funding consultants from capacity building funds) and should have the resources to assume a monitoring role, in addition to their current services, *“to ensure that everything done in the LGs is done in the right way, with VfM”* (Commissioner, RWSS). *Rural water supply has to be brought to a higher level of technology (make small water supply systems of high yielding boreholes)* (Director, DWD) and rainwater harvesting needs more promotion.

**UWSS** intends to (i) scale up the investment programme through the WSDFs, while testing the OBA approach; (ii) strengthen the O&M capabilities (UO/Private Operators, Local Governments); (iii) strengthen the MWE HQ capability to supervise the investment programmes and the O&M portfolio; and (iv) in area of regulation, *“create an independent regulation authority for the urban water and sewerage services”* (Commissioner, UWSS). Another priority is the implementation of the **Integrated Sanitation and Hygiene Strategy** for small towns.

The **Regulation Unit** envisages transformation into an independent regulatory authority for the entire sector, established by Act of Parliament, within the next three year period, and claims support by the sector for this objective.

**DWRM** states that under JWSSPS *there was not much that was joining the different components. The new Programme needs to create more synergy so as to create more efficient services, especially now that ENR is on board.* More targeted support is needed for WRM and ENR to mitigate the disparities within MWE.

**WfP** would like to see its potential for poverty alleviation recognised, and DP support increased, at least for piloting. Earmarking within the sector should be reduced so that the whole sector can benefit from DP support. The three priorities of expansion of facilities, rehabilitation of existing facilities and strengthening of O&M are interlinked. Collaboration with the Agriculture Sector will enhance the utilisation of the existing storage capacity, to be demonstrated through pilot irrigation schemes. New large multi-purpose reservoirs shall be considered.

**DWRM** intends to focus on (i) catchment-based WRM, including the creation of synergies and a cooperation framework with stakeholders; (ii) the improvement of water resources planning to guide the various activities. The **Water Quality Department** will be guided by the strategic targets defined in its National Water Quality Management Strategy. It emphasizes the need to cover the capital expenditures (lab equipment) and running costs for laboratory operation.

#### **4.1.3 DEA and CCU**

The representatives of DEA and CCU were asked the following questions:

##### **1 - Are you aware of the ongoing JWSSPS?**

**1a) If your Directorate/Department/Unit were to benefit from the new JWESPS, what would be your expectations?**

**1b) Compared to the current situation, which added value would you expect?**

**1c) Do you see a risk of having a joint programme with the “stronger” water sector?**

**1d) Which field of activity of your Directorate / Department / Unit do you consider to be suitable to be incorporated in the upcoming Joint Support Program?**

##### **2 - What are your thematic priority issues for 2013-2018 that you would like to emphasize in the new JWESSP?**

**1a):** ENR planned to establish a basket fund. It is seen as logical to handle the two sub-sectors together as a result of the merger of the WSS and ENR sectors. The sub-sector expects that this will open the eyes for the issues of the ENR sub-sector, the linkages between the WSS and ENR sub-sectors will become clearer<sup>31</sup> and that there will be a more equitable share of the available resources between the sub-sectors.

CCU and Meteorology had their own sources of project support and seem to be less aware of the implications of a joint sector programme. However, both expressed their funding and capacity development needs.

**1b):** As stated above, the ENR sub-sector expects a push for environmental issues as the whole sector will be involved, as well as more DP support and better funding levels. This would result in better efficiency and impact. The Meteorology Dept. wishes to have a Lead Consultant (TA).

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<sup>31</sup> The Wetlands Management Department provides the example of the Nakivubo channel where the lack of wetland protection had a serious impact on water abstraction for Kampala, which now has to be replaced.

**1c):** There is a certain concern that the WSS sub-sector will dominate and the ENR sub-sector might receive less attention and possibly even less resources under the new joint programme. However, as the current support level is low the JWESSP is mainly seen as a chance. There should be clear allocation rules for the available funds. CCU raises the question whether a joint sector programme might mean to drop other sources of project funding. Indeed Danida intends to provide future support through JWESSP (JPF) and will not have separate channels for funding the CCU.

**1d) and 2):** The Wetlands Management Department suggests all types of activities to be included in the new programme including the implementation level (wetland restoration and management planning, down to the community level).

Forestry (FSSD) highlights the enforcement of regulation and sector coordination but is not sure about the scope and modalities of a joint programme. Its thematic priorities are forest policy formulation and planning; technical support services to Local Governments; and sector monitoring.

CCU mentions a wide range of areas of support, including the institutional coordination framework to be developed, support to the adaptation strategy (scientific studies and modelling), support to mitigation activities (to reduce/avoid emissions) and policy issues, including Uganda's participation in international processes. Both adaptation and mitigation measures should be considered.

The priorities of the Meteorology Dept. are training and the installation/equipment of new stations. However, its main goal is to become a semi-autonomous Authority with financial autonomy. The Bill has been submitted to Parliament.

## **4.2 DPS**

### **4.2.1 Thematic priorities and preferred funding modalities**

The following matrix (Table 1) shows the indicative intentions of interested DPs to provide support by sub-sectors, as well as the preferred funding modality. Where no preference has been indicated the field of interest is simply marked with an "X".

The first version of the matrix had been prepared prior to the start of the Process Consultants' assignment, but it has been updated according to the results of the consultations held.

**Table 1: DP's tentative thematic priorities and preferred funding modalities**

Donor	SPS	Rural WSS	Urban WSS	Water Res. Management	Water for Production	Climate Change	Wetlands	Forestry	Environment (DESS)
ADB	JPF	SBS / JPF	JPF					X	
ADC	JPF		SBS / JPF	JPF					
DANIDA	JPF	SBS	JPF	JPF	SBS	JPF			
EU			JPF	JPF		PM			
KfW/GIZ	JPF		JPF / PM	X		PM			
ICEIDA						X			
Norway	X					X	X	X	X
World Bank (see note below)			X	X	X				X
<b>Legend:</b>									
JPF Joint Partnership Fund									
SBS Sector Budget Support									
PM Project Modality									
X Tentative interest, type of support not yet decided									
SPS Sector Programme Support to MWE (understood here as capacity building across MWE Directorates apart from the semi-autonomous agencies)									
DESS Dept. of Environmental Support Services									

*Note: It is likely that the World Bank will not be able to channel funds through the Joint Partnership Fund (JPF) due to its specific operating rules and procedures, e.g. with respect to procurement. One of the options being considered is to create a parallel mechanism that is based on the JPF model but with adjusted rules so as to match World Bank requirements.*

The following DPs have expressed their **expectations and priorities** for the new sector programme:

**Denmark:** Danida intends to focus on the water and sanitation sub-sector, with particular emphasis on (2-)3 sub-sectors (Rural WSS, Water Resources Management, Water for Production). In addition, Danish support intends to emphasize the cross-cutting themes of Capacity Development and Climate Change. The main funding modalities would remain sector budget support (for channelling funds to the districts) and the JPF (funding envisaged to be unearmarked) as well as complementary off-budget support to programme management and (outside of the MWE) support to the civil society/NGOs.

Danida emphasises the need for a holistic approach to water supply, incorporating the protection of water catchments rather than just focusing on the extraction of water. A thematic focus to be supported is therefore the implementation of decentralised water resources management, in particular planning at the WMZ level, and ensuring that water

users get a platform for the discussion and prioritisation of water use. Synergy and harmony need to be ensured when developing the various deconcentrated sector support structures (WSDFs, TSUs, UOs, WMZs). Climate change should be mainstreamed in order to adapt water provision to the effects of climate change; it should therefore be included in the relevant manuals and guidelines. Following this logic Danida also intends to support strengthening cross-sectoral / ministerial coordination mechanisms (Water Policy Committee, Climate Change Policy Committee, Inter-ministerial Committee on Agriculture).

Austria: intends to maintain its approach to combine unearmarked sector funding with targeted, specific support of institutional development in a number of thematic focus areas, in particular water supply and sanitation for small towns and rural growth centres and decentralised water resources management. The SPS component / capacity development should include support to the ENR sub-sector. Resource allocations should be based on MWE preferences with decision making based on quarterly meetings where each DP may bring forward and follow up on selected issues. The planned funding modalities include JPF funding, Sector Budget Support as well as complementary off-budget support for technical assistance and programme management.

Germany: expects that joining support to the Water and Environment sub-sectors will create synergies. The thematic focus areas of German support are: Urban poor; sanitation; reorganisation / strengthening of the small towns segment, including in particular the creation of economically viable clusters and the improvement of the regulatory framework; and climate change adaptation / water resources management.

Norway: has a thematic focus on environment and climate change, as indicated in the matrix above.

#### **4.2.2 DP views on options for supporting the ENR sub-sector**

DPs were asked:

***Regarding support to the environment sub-sector, which of the following strategies do you prefer:***

***a) Capacity building under SPS only***

***b) Support to DEA activities (not involving authorities i.e. NFA and NEMA)***

***c) Full support to the whole sub-sector including the authorities***

***Please provide a brief justification for your choice.***

Denmark is not generally an ENR donor but is supporting the climate change unit. SPS support to ENR and Climate Change (option A) is seen as necessary so that the three directorates get equitable support and the linkages to water aspects become functional. A liaison/focal point person should ensure that this functional link between ENR, Climate Change and WRM is working. Other support to DEA (option b above) will be guided by MWE and the other DPs based in their willingness to support DEA/ENR.

Austria focuses on the water and sanitation sub-sector but is in favour of including capacity building (SPS) for the ENR sub-sector, at the MWE level, in the joint sector programme.

Germany: Neither KfW nor GIZ can decide on future support mechanisms/modalities at this point, as these are part of policy decisions to be agreed between the two countries. However, if the ENR sector would receive support, this could be with a focus on climate change adaptation.

Norway has its main focus on the ENR sub-sector and would hence be open for extending JWESSP support either to DEA activities or even to the whole sub-sector including the authorities. All the institutions involved in environmental management should be considered in a broad support strategy, even if not all will be getting programme support in the beginning.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 OVERALL RECOMMENDATIONS FOR THE JWESSP DESIGN

This chapter does not aim to resume all the conclusions and recommendations from the previous chapters, as this would be too repetitive.

The intention is to formulate some preliminary conclusions and recommendations regarding the overall support strategy and design of the JWESSP. These should be understood as a basis for further discussion, formulated at an early stage of programme preparation.

The JWSSPS and its implementation and financing modalities have been rated favourably by all the partners involved. **The JWESSP should therefore essentially be designed along the same lines**, as far as coordination and decision making mechanisms, the mix of funding modalities, the capacity building approach and performance measurement are concerned. The good governance agenda should be strengthened further, based on the encouraging experience of the existing Good Governance Working Group and Action Plan.

The important suggested changes concern the scope of the programme and its further alignment to MWE procedures and planning documents.

It is the Consultants' feeling that the JWESSP should be a **true sector programme** that is closely attached to the mandates, structures and preferences of MWE.

This means:

1. **All sub-sectors should be included in the programme, at least in capacity development (SPS component).** A possible exception is meteorology with its clear, cross-cutting mandate and the intention to create a semi-autonomous authority in the near future.
2. **ENR activities other than capacity building** would be included by mutual agreement, at any time during JWESSP implementation. The criteria for inclusion should be the progress of capacity building and the promotion of good governance, to ensure value for money; and GoU budget allocations, that demonstrate ownership and the willingness to take over the running costs of the ENR services.
3. **Activities of semi-autonomous agencies** (NEMA, NFA, NWSC, future Meteorological Authority) should not be included in the JWESSPS as this would probably overstretch the programme. As these agencies have their own governance system, financial management system and sources of funding it seems more appropriate to develop/set up dedicated support programmes that are tailored to their specific situation.
4. However, the activities of these agencies **should be considered at the strategic level**, inasmuch as MWE is involved (i.e. oversight, policy formulation, coordination, regulation, definition of roles and responsibilities, etc.). In particular the JWESSP should strongly support the development of a functional institutional framework for the ENR and WRM sub-sectors, including the linkages and interfaces and including the aspect of mainstreaming climate change.



5. All **funding mechanisms of JWESSP** should in principle be available for all sub-sectors. This means that the ENR sub-sector should benefit from SPS (TA, a pool of short-term experts, training programme) and should be eligible for funding through the JPF, depending on joint decision making on the activities to be funded.
6. The **JPF**, which is an instrument that has been rated positively by all sector stakeholders without exception, should be maintained in the medium term (i.e. during the JWESSP period) as a ring-fenced sector funding mechanism. **SBS** would remain the main modality for channelling conditional grants to the local governments.
7. **Earmarking within the JPF** should be discouraged but not ruled out, as some of the interested DPs may have allocation constraints that are not easy to overcome. It should also be possible for DPs to allocate funds to the WSS or to the ENR sub-sector.
8. The discussion of sector **budget ceiling** and the need for adjustment to accommodate JWESSP financing should become part of the JWESSP preparation process, as soon as DPs have indicated their proposed budget allocations.
9. The suggestion to include a **pool for off-budget financing for NGOs/CBOs**, to be managed outside the government system, should be considered in the design of the JWESSP.

Making JWESSP a “true sector funding mechanism” should also mean **reliance, to the maximum possible, on standard sector planning documents** and to enhance **coherence** of the sector planning documents and monitoring mechanisms.

This means:

10. The **JWESSP Programme Document** shall be rather concise and should refer to and be harmonised with other sector documents (budget documents, SIP). It should focus on agreed objectives/expected outcomes, financing and delivery modalities, joint decision making mechanisms, and agreed monitoring mechanisms, less on the contents and operational issues of the sector programme which will be defined and regularly readjusted through the relevant sector mechanisms (JSRs, WESWG, budget process and workplans, etc.).
11. **Operational sector planning** should aim for coherence between the various documents, in particular those related to the **budget cycle** (Budget Framework Paper, MTEF, Ministerial Policy Statement), the Sector Investment Plans (SIPs) and annual workplans. It would be desirable to aim at better sector involvement in the preparation of the budget related documents. Where the SIP targets (and hence, the official sector targets) cannot be achieved due to insufficient funding this should be communicated in a transparent way.
12. There should be a **distinction between two types of sector performance**:
  1. progress towards the overall sector targets (NDP targets, Golden Indicators, etc.), and
  2. the performance and achievements of JWESSP, which is concerned with the efficiency of the sector (transforming inputs into outputs) and with the progress of sector reforms.

Progress towards the overall sector targets obviously depends on the funding levels: The sector cannot be held accountable for lack of progress if funding is insufficient.
13. It is therefore suggested to define a small set of **indicators that are specifically designed for monitoring the success of JWESSP**, without depending on the level of funding. These would be operational output indicators that directly measure the

effectiveness and added value of the JWESSP activities as well as the assumptions made<sup>32</sup>. This could include

- operational performance targets that can be reasonably expected with the existing funding
- capacity building targets
- milestones for the progress of institutional reforms
- progress on good governance / value for money / fiduciary risk issues
- effective budget allocations (e.g. to cover the running costs of all sub-sectors)
- indicators for monitoring other risks or assumptions.

When it comes to a mid-term review and evaluation of JWESSP, these indicators should help establishing whether the JWESSP approach was successful, independently from the level of sector funding.

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<sup>32</sup>Note: This type of indicators have been proposed in the JWSSPS Programme Document (see section 8.6 and Annex H) but have never been monitored.

## 5.2 SYNOPSIS OF SECTOR PLANNING AND REVIEW PROCESSES

The figure below aims to visualise the suggestion to fully align JWESSP to national planning and monitoring processes, while aiming to ensure coherence of these various processes and the related indicators. Issues to be addressed are highlighter red at the right end of each line.

### Water and Environment Sector Planning and Review Processes

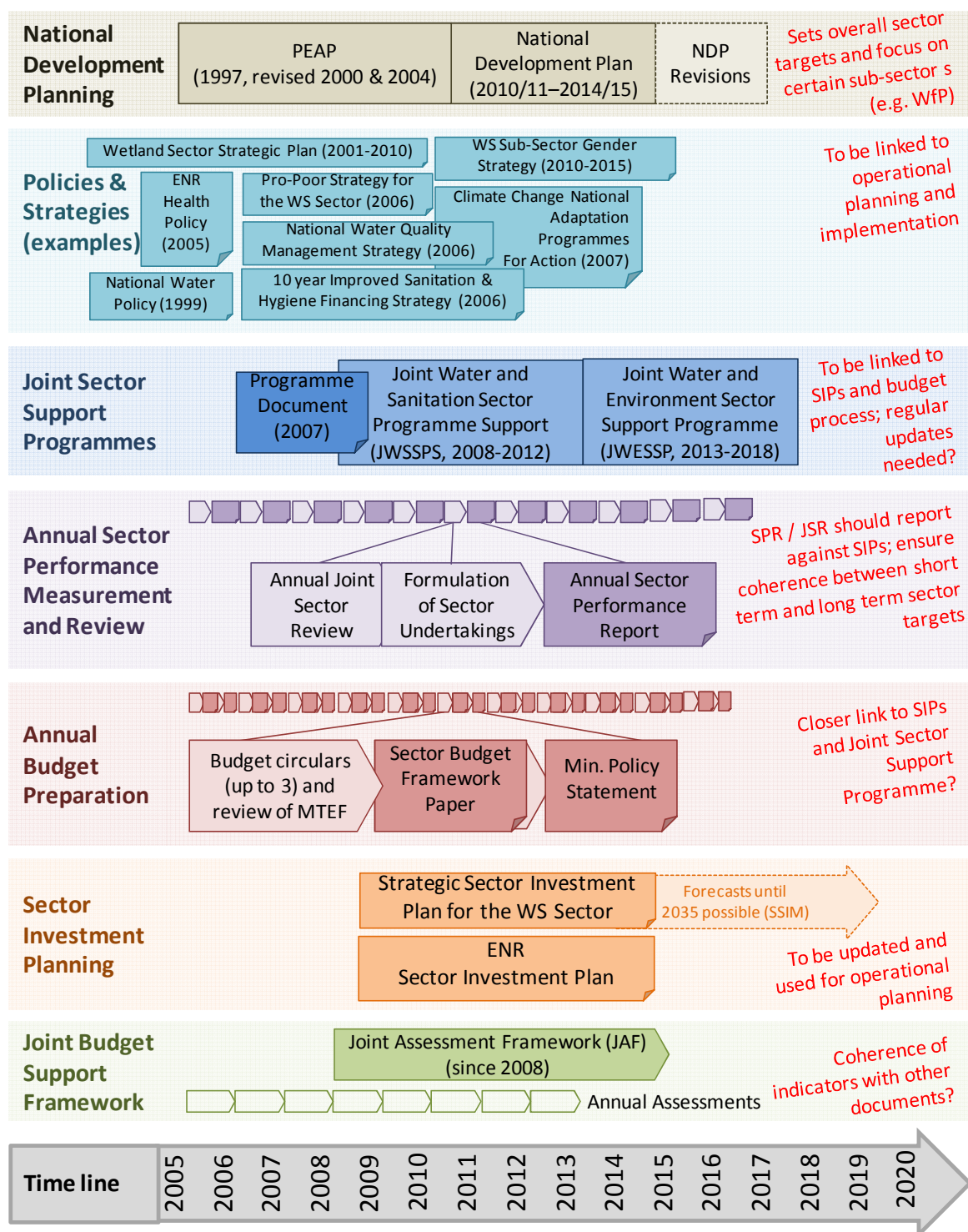


Figure 1: Water and Environment Sector Planning and Performance Review Processes

## 6. WAY FORWARD

### 6.1 ASPECTS TO BE CLARIFIED / STUDIES REQUIRED

The Process Action Plan (PAP) for JWESSP preparation envisages “**technical assessment/ feasibility studies as required**”-“minor studies” to identify, collect and compile critical data / information needed for the preparation of the JWESSP.

Based on the document reviews and consultations conducted for the present report the Consultants identified the following areas for which clarification is needed:

1. Capacity development strategy
2. Integration of the ENR sub-sector
3. Water for Production
4. Implementation of the integrated sanitation strategy for small towns

Many more inputs will be required for the detailed design of JWESSP interventions. For instance, it is likely that further studies will be required to define the architecture of the **deconcentrated sector structures** (mandates, synergies, financing modalities; need for deconcentrated capacities for regulation, WfP and ENR...). However, this should be seen as part of JWESSP itself, which is support to sector development as a continuous process.

During the preparation phase the interested DPs may require specific studies for their own appraisal and approval process, such as **fiduciary risk assessments**. This type of studies should be defined and scheduled according to their specific requirements. For the general programme preparation the existing fiduciary risk assessments are seen as sufficient.

Of the four studies listed above, the first three studies should be conducted **in time to inform the overall design and the formulation of the Concept Paper** of the JWESSP. The sanitation study should also be conducted as soon as possible in order to enhance the strategic basis for the upcoming sanitation interventions in small towns and rural growth centres, even before the launch of the new JWESSP.

The **capacity development study** will have the purpose to inform the JWESSP formulation process through a brief, strategic review of capacity development issues, requirements and priorities. The overall objective will be to develop a well founded capacity development approach, strategy and plan so that external support can be designed accordingly. This will be achieved by providing a strategic analysis of current sector capacities, compared to present stakeholder roles and responsibilities and foreseeable future developments in the sector. The intention is not to produce detailed capacity development plans (such as training needs assessments) but

- to develop a strategic view of existing bottlenecks and capacity development requirements;
- to examine the institutional framework needed to make capacity development effective (e.g. work / employment conditions, high vacancy rates in the Ministry, lack of resources to make use of the capacities, fragmentation of districts, status of the Technical Support Units, institutional and other barriers); and
- to outline the main elements and the methodology for capacity development activities as well as the budget for core capacity development activities.

At least preliminary results should be available at the time of developing the Concept Paper, i.e. before the end of November 2011 (see Process Action Plan, below). After the quick screening of capacity development issues required for this input the study will proceed to the more in-depth analyses and elaboration of requirements and strategies. It is also

recommended to include a stakeholder workshop on capacity building. The agenda of this workshop would include:

- sharing and analysing the existing know-how and past CD experience
- developing a common understanding of the needed skill mix
- deriving conclusions for both sub-sectors and for the different levels (Centre, deconcentrated structures, local governments, other stakeholders)
- discussing the views, intentions and possibilities of the DPs.

The study on the **integration of the ENR sub-sector** is recommended to be conducted in the form of a quick assessment, ideally by experts who are already familiar with the ENR sub-sector. The Consultants' preliminary recommendations regarding the integration of ENR have been presented in this report in sections 3.9.2 and 5.1. However, there was very limited time for consultations and analytical work, which should now be done through a study.

The ENR sub-sector study should include

- A review of each potential area of intervention of the ENR sub-sector, including climate change and meteorology, regarding the aptitude for integrating them into JWESSP, and in particular for financing through the JPF;
- A review of the preliminary findings, conclusions and recommendations made in this Inception Report;
- A proposal regarding the component structure of the ENR sub-sector under the JWESSP;
- An assessment of the immediate capacity building needs, including the extent of long-term Technical Assistance required;
- An assessment of the formal requirements and steps to be taken to meet the JWESSP/JPF standards, in terms of planning, financial management, reporting, monitoring mechanisms, etc.;
- Identification of further steps and measures needed to prepare the integration of the sub-sector in the JWESSP by 2013.

The main reason for proposing a supporting study on **Water for Production** is that MWE and DPs agree that the WfP should become a component under JWESSP and should receive more attention than in the past, in line with the national priorities expressed in the NDP, while there are concerns regarding the sustainability of the investments, certain aspects of the implementation approach, and the effectiveness of coordination with the Ministry of Agriculture. The outcome of the WfP activities under the present JWSSPS needs to be reviewed to extract and document the lessons learned. There is also need to review the policy/strategy, planning, monitoring and institutional coordination framework for WfP. The proposed study will help to clarify these issues and develop recommendations for the design of the planned support for WfP under the JWESSP.

To this end the study will include the following aspects:

- A review of past implementation experience of WfP infrastructure, in particular the multi-purpose dams and valley tanks funded from both Government and DP funds (under the JWSSPS), small scale WfP investments by District Local Governments and the pilots of the "force account" approach;
- An analysis of the existing policy and strategy framework for implementation, capacity development and sustainable operation & maintenance;
- A review of existing planning documents, including the implications of the recently completed irrigation masterplan;

- A review of the monitoring/performance measurement framework for the sub-sector, including recommendations regarding its improvement (performance indicators for the sub-sector);
- An analysis of the institutional cooperation arrangements and future requirements, in particular with (i) the Ministry of Agriculture (MAAIF), (ii) Local Governments, and (iii) the institutions in charge of water resources management and environment management;
- An assessment of the need for deconcentrated structures to provide technical support for project development/appraisal, capacity building and supervision, including possible synergies with existing sector deconcentrated structures (TSUs, WSDFs, WMZs);
- A review of the “force account” model with respect to existing and/or recommended/desired subsidy policies, private sector capacity, eligibility criteria, and related fiduciary risks;
- Identification of further steps and measures needed to prepare the integration of the sub-sector in the JWESSP.

Finally, the study on **implementation of the integrated sanitation strategy for small towns** is recommended as the sector implementation strategy for the sanitation sub-sector is still poorly defined. The study focuses on the aspects of sanitation that are clearly under the mandate of MWE (whereas rural household sanitation and hygiene and urban sewerage systems are under the main responsibility of the Ministry of Health and NWSC, respectively).

The proposed study would cover the following aspects:

- Identification of technical solutions for the implementation of the integrated sanitation strategy for small towns, in particular solutions for modern on-site sanitation
- Estimation of unit costs for the recommended technologies
- Review of best practice and experience in small towns, in Uganda and possibly neighbouring countries
- Review of the ecosan experience in view of its aptitude for small towns
- Potential role of the private sector, PPP arrangements
- Pros and cons of subsidies for urban poor
- Options for sludge management
- Capacity building requirements
- Links with solid waste management and urban drainage

Detailed drafts ToRs for all the proposed studies will be developed by the PC.

## 6.2 PROCESS ACTION PLAN

The Process Action Plan (PAP), originally developed by the PPC, is presented below (table 2) in graphical form along a timeline. It combines the original PAP with the inputs to be provided by the Process Consultant (PC) according to his ToR.

Items of the original PAP are numbered and have a coloured background. Outputs to be produced by the PC, according to the ToR, have numbers preceded by A (A1 to A6). Outputs to be quality assured by the PC are preceded by B.

It is suggested to discuss and agree on the key features of the **Concept Paper** during the meeting held to discuss the Inception Report, in September 2011. This will allow presenting

an outline of the concept at the Joint Sector Review in October. The full Draft Concept Paper (deliverable A3) will be presented at the end of November 2011. In order to achieve broad support for the JWESSP concept it is suggested to present and discuss the Concept Paper at a **stakeholder workshop** planned for December.

The main purposes of this workshop will be to

- 1) Present the results of the supporting studies, and to ensure they are incorporated in the JWESSP preparation process;
- 2) Discuss the overall concept of the new joint programme with a broader group of sector stakeholders, including those who are not directly represented in the PPC;
- 3) Achieve broad consensus on the scope and nature of the Concept Paper as an agreed basis for the programme formulation phase.

Terms of Reference for the proposed **studies** will be prepared by PPC based on drafts prepared by the PC.

As explained above (section 6.1), three of the recommended studies should provide input for the formulation of the Concept Paper. The consultants for these studies should therefore be recruited as soon as possible, so that at least the preliminary conclusions and recommendations (not necessarily the final reports) are available before the end of November, in time to be considered in the draft Concept Paper. During the second half of November the consultants of the supporting studies should collaborate with the PC to provide their input to the draft Concept Note. Later they should present the details of their findings and recommendations during the abovementioned stakeholder workshop on the Concept Paper (planned for December).

Procurement of the consultant(s) for the sanitation study should also start as soon as possible but as mentioned above this study is not time critical for the formulation of the Concept Paper.

**Table 2: Process Action Plan, rev. October 2011 (page 1)**







## **ANNEX 1: STAKEHOLDER CONSULTATIONS**

A substantial part of the present report is based on consultations of the key partners of the proposed JWESSP, i.e. MWE and the interested DPs. Apart from participation in two larger meetings (PPC meeting and DP retreat) and a small number of individual meetings these consultations were conducted based on a small questionnaire. A first set of questions was used for semi-structured interviews of key MWE informants while a second set was sent out to DPs by e-mail or discussed by telephone.

This annex presents the questionnaires and lists the persons consulted. Summaries of the responses are reported or quoted throughout this Inception Report. A detailed documentation of the individual responses will be provided as a separate annex.

### **6.2.1 Set of questions for MWE representatives**

Note that two different version of the first question were asked, depending on whether the respective directorate/department/unit is already a partner in the ongoing JWSSPS or not.

**Table 4: Set of questions for MWE representatives**

No.	Question
1)	<p><u>Question to DWD and DWRM representatives:</u></p> <p><b>1a)</b> From your point of view, what are the most relevant <b>lessons to be learnt</b> from the implementation experience of JWSSPS so far?</p> <p><b>1b)</b> What should be different in the new JWESPS? Think of capacity development activities, financing modalities, implementation procedures!</p> <hr/> <p><u>Question to DEA and CCU representatives:</u></p> <p>Are you aware of the ongoing JWSSPS?</p> <p><b>1a)</b> If your Directorate/Department/Unit were to benefit from the new JWESPS, what would be your <b>expectations</b>?</p> <p><b>1b)</b> Compared to the current situation, which added value would you expect?</p> <p><b>1c)</b> Do you see a risk of having a joint programme with the “stronger” water sector?</p> <p><b>1d)</b> Which field of activity of your Directorate / Department / Unit do you consider to be suitable to be incorporated in the upcoming Joint Support Program?</p>
2)	What are your <b>thematic priority</b> issues for 2013-2018 that you would like to emphasize in the new JWESPS?
3)	What are your preferred <b>capacity development</b> modalities to be included in the new program: think of long-term TA, pool of short-term experts, training program, decentralized Technical Support Units (TSU)?
4)	<p>How do you rate the importance / relevance of the following <b>documents</b> for your work? To which extent are you using them for work planning?</p> <ul style="list-style-type: none"> <li>- Sector Investment Plan (SIP)</li> <li>- Budget Framework Paper / Policy Statement</li> <li>- Undertakings agreed at the Sector Performance Review</li> <li>- JWSSPS Program Document</li> <li>- Other</li> </ul>
5)	What is your preferred <b>financing modality</b> for the activities in your sub-sector? What are the main reasons for your preference?
6)	A final question regarding the decentralized activities / services of your Directorate/Dept./Unit:

	<p><b>6a)</b> How important is regional presence?</p> <p><b>6b)</b> Do you see potential linkages or synergies with existing or planned decentralized units (TSUs, WSDFs, Umbrella Organisations, Water Management Zones)?</p> <p><b>6c)</b> Do you see incompatibilities?</p>
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### 6.2.2 List of consulted MWE representatives

The Permanent Secretary as well as 14 persons from DWD, DWRM, DEA as well as the CCU made themselves available for the interviews:

1. MWE Permanent Secretary: David O.O. OBONG
2. DWD Director: Eng. Sottie BOMUKAMA
3. DWD Water Sector Liaison: Disan SSOZI
4. DWD Rural Water Supply and Sanitation: Eng. Aaron KABIRIZI
5. DWD Water for Production: Richard CONG
6. DWD Water for Production: Gilbert KIMANZI
7. DWD Urban WS Regulation Unit: Ephraim KISEMBO
8. DWD Policy and Planning: Dr. Sam OTUBA
9. DWRM Water Quality: Florence ADONGO
10. DWRM Water Resource Regulation: Callist TINDIMUGAYA (also representing the Director of DWRM)
11. DEA Wetland Management: Paul MAFABI
12. DEA Forestry Sector Support Department: Rachel MUSOKE
13. DEA Environmental Support Services: David Stephen MUGABI
14. DEA Data Processing and Applied Meteorology / Climate Change Unit: Paul ISABIRYE
15. DEA Meteorology: Michael NKALUBO

### 6.2.3 Set of questions for Development Partners

**Table 5: Set of questions for DPs**

No.	Question
1)	From your point of view, what are the most relevant <b>lessons to be learnt</b> from the implementation experience of JWSSPS so far - anything to add to what has been stated in the Mid-term Review? What should be different in the new JWESPS?
2)	What are your <b>thematic priority</b> issues for 2013-2018 that you would like to emphasize in the new JWESPS? Please verify and update the attached version of “the matrix” that had been discussed at the DP retreat.
3)	Regarding <b>support to the environment</b> sub-sector, which of the following strategies do you prefer: <ol style="list-style-type: none"> <li>a) Capacity building under SPS only</li> <li>b) Support to DEA activities (not involving authorities i.e. NFA and NEMA)</li> <li>c) Full support to the whole sub-sector including the authorities</li> </ol> Please provide a brief justification for your choice.
4)	What are the main reasons for your preference regarding <b>financing modalities</b> ?
5)	What are your preferences regarding <b>capacity development</b> to be included in the new program? Do you think a specific study would be desirable to clarify the options?
6)	Does your organization have any specific and <b>process relevant requirements</b> e.g. regarding deadlines and deliverables?

#### **6.2.4 List of consulted DP representatives**

The following organisations and persons were contacted:

- African Development Bank (AfDB): Andrew MBIRO
- Austrian Development Agency (ADA) : Hans SCHATTAUER
- French Development Agency (AFD): Magloire KINDOKI
- German Development Cooperation (Kreditanstalt für Wiederaufbau (KfW) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ): Florian ARNETH, his successor Anja KRAMER from KfW and Axel KLAPHAKE (GIZ)
- Japan International Cooperation Agency (JICA): Eva NAKIYINGI
- Danish International Development Agency (DANIDA): Grace KATURAMU, Sanne HELT, Miriam MALINGA
- The World Bank (WB): Sam MUTONO and Harriet NATTABI
- Delegation of the European Commission to Uganda (EC): John SERAZI and KOBUSINGE Jalia
- Norwegian Ministry of Foreign Affairs (MFA) : Helle BISETH and Elli BORGE
- Icelandic International Development Agency (ICEIDA)

5 of the above organisations (DANIDA, ADA, Norwegian MFA, EC and KfW) responded.

## **ANNEX 2: LIST OF REVIEWED DOCUMENTS**

All the documents listed below will be made available on a CD.

The background documents indicated in the ToR and most of the other documents collected are all available in electronic form. Nine other documents, mainly relating to the ENR sub-sector, were only available as hardcopies but were scanned by the consultant.

### **6.2.5 Background document indicated in the ToR**

<b>No.</b>	<b>Title</b>	<b>Short designation</b>	<b>Year / period covered</b>	<b>Author/ consultant</b>
1	National Development Plan	NDP	2010/11 - 2014/15	
2	Uganda Poverty Status Report		2005	
3	National Budget Framework Paper	BFP	2010/11 - 2014/15	
4	Ministerial Policy Statement Water and Environment	MPS	2010/11	
5	Fiscal Decentralisation in Uganda Draft Strategy Paper		2002	
6	Joint Water and Sanitation Sector Programme Support – Programme Document	JWSSPS Pro. Doc.	2008 - 2012	
7	Joint Water and Sanitation Sector Programme Support – Appraisal Report	JWSSPS Appraisal	2007	
8	Report of the Evaluation of the Joint Water and Sanitation Sector Programme Support (JWSSPS) Formulation Process	JWSSP Process Evaluation	2008	CIP Consult Uganda Ltd.
9	A National Water Policy	NWP	1999	
10	The National Sanitation Policy for Uganda		1997	
11	National Environmental Health Policy		2005	
12	Strategic Sector Investment Plan for the Water and Sanitation Sector in Uganda	WSS SIP	2009	
13	Environment and Natural Resource Sector - Sector Investment Plan	ENR SIP	2008/09 - 2017/18	
14	Climate Change National Adaptation Programmes of Action	NAPA	2007	
15	Developing a Feasible and Cost Effective Plan for Rehabilitation of Old Dams and Valley Tanks		2009	Warner Consultants Ltd.
16	10 year Improved Sanitation and Hygiene Financing Strategy	ISH	2006	<i>document missing</i>
17	Water and Sanitation Sector - District		2007	

	Implementation Manual Version 1			
18	Functional Review of the Ministry of Water and Environment		2011	Adam Smith International
19	Water and Sanitation Sub-Sector Gender Strategy	Gender	2010-2015	
20	Water and Sanitation Sector Strategy for Mainstreaming HIV/AIDS	HIV/AIDS	2004	
21	Pro-Poor Strategy for the Water and Sanitation Sector	Pro-Poor	2006	
22	Uganda Water and Sanitation Sector Performance Measurement Framework	SPMF	2004	
23	Water and Environment Sector Performance Report	SPR 2009	2009	
24	Water and Environment Sector Performance Report	SPR 2010	2010	
25	Good Governance Working Group Action Plan - Progress report as of 05.07.2011	GGAP	2009-2012	
26	Draft Value for Money Study of the Districts Water and Sanitation Conditional Grant	VfM of DWSCG	2011	AH Consulting
27	Environment and Natural Resource Sub-Sector Performance Measurement Framework	ENR SPMF	2011	
28	Modalities for Collaboration between Government of Uganda/Development Partners and Water and Sanitation Sector NGOs	NGO Study	2007	Richard C. CARTER and Aloysius OWOR
29	Uganda, Ministry of Water and Environment - Support to MWE		2010	Skat by order of DANIDA
30	Policy Brief - Uganda Land Use Change, Land Degradation and Human Welfare – Lessons learned from the lake Kyoga catchment area		N/A	UNDP-UNEP Poverty-Environment Initiative
31	Environment and Natural Resource Report Series – Enhancing Wetlands' contribution to Growth Employment and Prosperity		2009	NEMA / UNDP-UNEP Poverty-Environment Initiative
32	EAC Position on Climate Change Negotiations		2011-2020	East African Community
33	Wetland Sector Strategic Plan		2001-2010	
34	Climate Change Uganda National Adaptation Programmes of Action			<i>same as no. 14</i>
35	The Second Public Procurement Integrity Survey		2010	REEV by order of PPDA

## **6.2.6 Additional background documents collected**

### Fiduciary Risks

- Fiduciary Risk Assessment and Recommendations to Contain Risks with Regard to the German Financial Contribution to the JWSSPS / JPF for WSDF North and WSDF East (Volvendo Consulting by order of KfW, 2011)

### Capacity Development Needs

- Report on staff training and capacity needs assessment exercise for staff of the water and environment sector in the local governments (2010)

### Private Sector

- Development of a Strategy for Support to Private Sector Organisations Participating in Rural Water and Sanitation Programmes in Uganda (2003)

### Sanitation

- Ten Year National Strategy on Ecological Sanitation (2008)
- Ten-Year Integrated Financing Strategy for Improved Sanitation and Hygiene (ISH) in Small Towns (2010)
- Draft Countrywide Baseline Survey Report On Ecological Sanitation Coverage (2010)
- Environmental Sanitation in Uganda (2010)

### Water Quality

- National Water Quality Management Strategy (2006)

### Environment Management

- Country Environment Profile for Uganda and Options of integration of Climate Change in the EU - Uganda Development Cooperation (2010)
- Poverty-Environment Interactions in Agriculture: Key Factors and Policy Implications (1999)
- Review of the existing poverty reduction policies, plans, programmes and projects for their adequacy in addressing environmental concerns (2005)

### Climate Change

- Africa Climate Change Resilience Alliance (ACCRA) – Uganda. Country Level Literature Review. Margaret Barihaihi (2010)

### Wetlands

- Environment and Natural Resources Report Series. Enhancing Wetlands' Contribution to Growth, Employment and Prosperity (2009)
- Wetlands and the Law. Legislation governing the ownership, use and access to Wetlands and their resource (2009)
- National Policy for the Conservation and Management of Wetland Resources (1995)
- From Conversion to Conservation: Fifteen Years of Managing Wetlands for People and the Environment in Uganda (2005)
- Implementing the Ramsar Convention in Uganda. A Guide to the Management of Ramsar Sites in Uganda (2008)



## Forestry

- Farm Income Enhancement and Forestry Conservation Project: Baseline and socio-economic Survey Report (2007)
- Concept Paper on Management and Conservation of Forests outside protected Areas for Prosperity or Concept Paper on Advancing Livelihoods Through Sustainable Management of Forests and Trees outside Protected Areas
- The National Development Plan for Uganda, The Forestry Sub-sector (2009/10 - 2013/14)
- The National Forest Plan for Uganda (2010)
- Contribution of Forestry Sub-Sector to the National Economy: The Economic Value of Forest Resources of Uganda (2011)